OVERVIEW

This section sets out a summary of the main laws, regulations and policies to which the Company is subject to.

General

The Company and the Group are engaged in vast variety of regulated activity ranging from freight and passenger transportation, port, freight forwarding and terminal operations, mainline railway network services, militarized railway security, wagon operator services and other regulated activity.

Regulation of Railway Transportation under the Law on Railway Transport

The railway sector in Kazakhstan is primarily governed by the Law on Railway Transport. The Law on Railway Transport regulates the operation of railway infrastructure, freight and passenger transportation services, access to the main railway network, safety requirements, tariff regulation and the relationships among carriers, infrastructure operators, customers and public authorities.

The Law on Railway Transport establishes the legal framework for the operation of the national railway system and is based on principles including preserving and strengthening the Kazakhstan's common socio-economic space, ensuring the coordinated operation of the unified transport system of Kazakhstan, preservation of the integrity and uninterrupted functioning of railway infrastructure, unrestricted access for all participants in the transportation market to provide and receive rail transportation services, safety continuity, and uninterrupted operation of the transportation processes, protection of economic interests of Kazakhstan.

The Law on Railway Transport defines and regulates the activities of the National Railway Company and the National Infrastructure Operator, the functions of both of which are currently carried out by the Company.

Regulation of the Mainline Railway Network

The mainline railway network constitutes a strategic transport infrastructure of Kazakhstan and includes mainline and station rail tracks, signalling, communication, power supply and other infrastructure necessary for railway operations. The mainline railway network is not subject to privatization and remains under state control through the national management holding and National Railway Company and/or National Infrastructure Operator. The Law on Railway Transport prohibits the disposal or encumbrance of the mainline railway network and imposes restrictions on the transfer of ownership interests in the Company as the National Railway Company. According to article 5-2 of the Law on Railway Transport, the Samruk-Kazyna's holding in the Company as the National Railway Company shall not be less than 75%.

The Company as the National Infrastructure Operator provides mainline railway network services, including traffic dispatching and control on mainline and station tracks, and enters into agreements with railway carriers in accordance with the Rules for the Use of the Mainline Railway Network, approved by Order No. 366 of the Acting Minister for Investment and Development of the Republic of Kazakhstan dated 27 March 2015.

Railway carriers obtain access to the network through the Company and are required to pay infrastructure access charges established in accordance with Kazakhstan legislation. The Company as the National Infrastructure Operator is required to provide non-discriminatory access to the mainline railway network and equal access rights to railway carriers.

Freight Transportation

The Law on Railway Transport establishes a comprehensive framework governing freight transportation, including carriage contracts, organization of freight transportation, multimodal transportation, loading and unloading operations, freight planning, freight documentation, transportation charges and delivery periods.

Freight transportation is performed pursuant to carriage agreements evidenced by railway consignment notes and other transportation documents prescribed by law. Freight shippers are responsible for the accuracy and completeness of information provided in transportation documents. The Law on Railway Transport also regulates liability for cargo loss, shortage, damage, delays in delivery and other breaches of transportation obligations.

Freight transportation is subject to the Rules for the Carriage of Goods by Rail, approved by Order No. 612 of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan dated 2 August 2019.

Passenger Transportation

Passenger transportation services are also subject to regulatory requirements. The Law on Railway Transport governs passenger carriage contracts, passenger rights and obligations, baggage transportation, ticketing procedures, passenger service standards and operation of railway stations and passenger facilities.

The organization of international and interregional passenger transportation is determined by the competent state authority, while local authorities play a role in organizing certain regional and suburban passenger services. Opening new passenger routes generally requires coordination with the competent authority.

The Law on Railway Transport also provides a framework for socially significant passenger services, which may be supported through state subsidy mechanisms. In addition, Kazakhstan legislation contemplates the designation of a National Passenger Carrier responsible for providing passenger transportation services across the railway network, including certain strategic and socially significant routes. The Rules for the Carriage of Passengers, Baggage, Cargo Baggage and Postal Items by Rail, approved by Order No. 545 of the Minister for Investment and Development of the Republic of Kazakhstan dated 30 April 2015 determine the procedures for the organization of passenger transportation services on interregional and international routes.

National Carriers

The Law on Railway Transport provides for the existence of "national carriers" and regulates their activities within the general legal framework governing railway transportation, including requirements relating to access to the mainline railway network, transportation operations and safety.

Pursuant to Resolution of the Government of the Republic of Kazakhstan No. 1389 dated 25 December 2004 "On Certain Matters of the National Railway Company and National Carriers", the following entities have been designated as national carriers:

(i) KTZ-FT, as the national freight carrier; and

(ii) Passenger Transportation, as the national carrier for the transportation of passengers, baggage, cargo baggage and postal items.

The status of a national carrier primarily entails additional public-service obligations rather than material regulatory privileges. The national freight carrier is responsible for implementing the train formation plan across the entire mainline railway network of Kazakhstan. National carriers are required, in coordination with the National Infrastructure Operator and other participants in the transportation process, to ensure that military transportation is carried out and to perform such transportation on a priority basis.

Safety and Regulatory Oversight

Railway operations are subject to extensive safety requirements. The Law on Railway Transport establishes the framework for mandatory safety standards applicable to railway infrastructure, rolling stock, transportation processes and participants in the transportation process. Carriers are required to maintain safety management systems and comply with regulatory requirements designed to ensure safe railway operations.

Participants in the transportation process shall comply with the safety requirements established by the applicable technical regulations and shall ensure safe conditions for the life and health of individuals, the transportation of passengers, and compliance with traffic safety requirements on mainline railway tracks, station tracks and access railway tracks. Safety requirements are established by a number of regulatory legal acts, including the Safety Rules for Railway Transport approved by Order No. 334 of the Acting Minister for Investment and Development of the Republic of Kazakhstan dated 26 March 2015, the Rules for the Investigation of Railway Traffic Safety Violations approved by Order No. 604 of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan dated 1 August 2019, the Rules for the Technical Operation of Railway Transport approved by Order No. 544 of the Minister for Investment and Development of the Republic of Kazakhstan dated 30 April 2015, the Instructions on Train Movement and Shunting Operations in Railway Transport approved by Order No. 291 of the Minister of Transport and Communications of the Republic of Kazakhstan dated 19 May 2011, the Instructions on Signalling in Railway Transport approved by Order No. 209 of the Minister of Transport and Communications of the Republic of Kazakhstan dated 18 April 2011, and other regulatory legal acts.

The competent state authority exercises regulatory oversight and control over compliance with railway legislation and safety requirements. The Law on Railway Transport provides for inspections, investigations of railway incidents and accidents, and liability for violations of transportation and safety requirements.

Tariffs and State Regulation under the Law on Railway Transport

Certain railway services, including services provided by the National Infrastructure Operator, are subject to tariff regulation under Kazakhstan law. The Law on Railway Transport authorizes state regulation of tariffs for specified railway services and establishes a framework for state support and subsidization of certain passenger transportation activities and railway development projects. The authorized state body establishes maximum tariff levels for passenger transportation services on socially significant interregional routes. Local executive bodies establish maximum tariff levels for passenger transportation services on socially significant interdistrict (intra-regional long-distance) and suburban routes. See "Business Overview – Government Regulation and Tariffs – Freight and Passenger Transportation Regulation" in this Document for further details.

The rules governing the application of tariffs (freight charges) for international transportation are established by the international treaties of the Republic of Kazakhstan. See "EEU Regulation" and "Other International Treaties" in this section for further details.

Natural Monopolies Regulation

Certain activities of the Group are subject to regulation under the Natural Monopolies Law.

The Natural Monopolies Law defines a natural monopoly as a market condition in which the establishment of competitive conditions to satisfy demand for a particular category of goods, works or services is impossible or economically impracticable due to the technological characteristics associated with the production or provision of such goods, works or services.

The Natural Monopolies Law establishes the legal framework for state regulation of entities operating in natural monopoly sectors. Such regulation includes, among other things, the maintenance of the State Register of Natural Monopoly Entities, tariff setting and approval, determination of tariff regulation methodologies, approval of certain actions of regulated entities and establishment of the list of regulated services.

Entities providing regulated services are required to be included in the State Register of Natural Monopoly Entities. The provision of regulated services by persons not included in the register is not permitted under Kazakhstan law. The register is maintained by the authorized regulatory authority and is divided into national and local sections depending on the geographical scope of the regulated services provided. According to the Order of the Chairman of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies No. 16-OD "On the Republican Section of the State Register of Natural Monopolies" dated 24 January 2005, (i) the Company is included in the state register of natural monopoly entities in respect of, inter alia, services of the mainline railway network, provision of the mainline railway network for use and organisation of train traffic thereon, services of access railway tracks, and electricity transmission services; (ii) Passenger Transportation is included in respect of access railway track services, and (iii) International Sea Trade Port of Aktau is included in respect of port services related to vessel calls for transshipment of oil and oil products.

The authorized regulatory authority exercises broad supervisory powers over natural monopoly entities, including approval of tariffs and tariff estimates, approval and monitoring of investment programmes, establishment of tariff regulation methodologies, monitoring compliance with regulatory requirements and reviewing the performance of regulated entities.

Tariff Regulation of Natural Monopolies

Under the Natural Monopolies Law, tariffs for regulated services are subject to approval by the authorized regulatory authority. Tariffs are intended to ensure recovery of the costs incurred in providing regulated services and to allow the natural monopoly entity to earn a profit directed towards development, efficient operation and other purposes permitted by law. Tariffs are generally approved for a period of five years or longer, except in cases expressly provided by law.

The Natural Monopolies Law provides for several methods of tariff regulation, including the cost-based method, the incentive-based method, the indexation method and tariff determination based on a public-private partnership agreement. The applicable tariff regulation methodology is determined by the authorized regulatory authority.

With respect to regulated services relating to the mainline railway network, the authorized regulatory authority is empowered to approve price caps for such services and to adjust those price caps annually in accordance with the Tariff Formation Rules, approved by Order No. 90 of the Minister of National Economy of the Republic of Kazakhstan dated 19 November 2019.

The Natural Monopolies Law also imposes certain restrictions on regulated entities, including requirements to obtain regulatory approval for specified transactions involving assets used in the provision of regulated services, raising loans and for certain corporate actions, including reorganization and liquidation. Please see also "Business Overview – Government Regulation and Tariffs".

Sea Ports Regulation

Under the Law of the Republic of Kazakhstan No. 284-II of 17 January 2002 "On Merchant Shipping", as amended (the "**Law on Merchant Shipping**"), sea ports are governed by the law and other applicable regulatory acts. Sea ports may be owned by the state, individuals or private legal entities. Sea ports designated as being of international significance are not subject to privatisation. Such status is determined by the competent authority.

Sea ports constitute public-use facilities and are classified according to their purpose as commercial ports or specialised ports (including fishing, oil and other specialised ports). The boundaries of a sea port, including its water area, are determined by the relevant local executive authorities.

While in a sea port, vessel crews must comply with Kazakhstan legislation relating to navigation safety and with the requirements of governmental authorities exercising supervisory and control functions. Port owners and marine terminal operators must provide governmental authorities with access to vessels calling at the port for the performance of transport, border control, customs, sanitary, phytosanitary and other regulatory functions.

Sea ports provide cargo handling, vessel servicing, freight forwarding, storage and transshipment services, passenger services and other port-related operations. Cargo handling and certain technical operations may be performed by marine terminal operators. In state-owned sea ports, at least two marine terminal operators must be present.

The list of mandatory port services is established by the competent authority. At present, such services are set out in the List of Mandatory Sea Port Services approved by Order No. 77 of the Minister for Investment and Development of the Republic of Kazakhstan dated 30 January 2015, as amended. The list includes, among other things, pilotage services, vessel traffic control services, navigation services, mooring services, berth services and anchorage services. Prices (tariffs) for mandatory port services, including maximum tariff levels, are regulated in accordance with Kazakhstan legislation. Charges for non-mandatory services are determined contractually.

Environmental Compliance

The Group conducts its operations in accordance with Kazakhstan environmental legislation, including the Code No. 400-VI of the Republic of Kazakhstan dated 2 January 2021, the Environmental Code of the Republic of Kazakhstan (the "**Environmental Code**"), and other relevant laws, regulations and international conventions.

Like other transportation companies, the Group's operations are subject to variety of Kazakhstan's environmental laws, regulations and requirements that govern emissions, water use and disposal, waste management, impacts on wildlife, as well as transportation of products that are hazardous to the environment.

The Environmental Code is a major law that governs the activities of the Company and sets environmental requirements for the protection of atmospheric air during the operation of transport and other vehicles, for zoning and use of land for transport purposes, for the transportation of plant protection products, mineral fertilizers and other agents, for the protection, conservation and use of protective plantings on the right-of-way of railways, and also regulates waste transportation.

The Environmental Code provides for environmental impact assessment procedures and state environmental review in respect of activities and projects subject to environmental regulation. The Environmental Code also provides for public hearings and public environmental review procedures in relation to certain activities and projects.

The Environmental Code establishes environmental requirements relating to emissions into the environment, environmental monitoring and compliance with environmental quality standards. Operators of certain facilities are required to implement measures aimed at reducing adverse environmental impacts and complying with applicable environmental requirements. Under the Environmental Code, companies are obligated to obtain permits (as described below) for the contamination of the environment and must observe all requirements set out in such permits.

The Environmental Code contains comprehensive rules governing waste management, including the classification of waste, ownership of waste, management of hazardous waste and obligations relating to the transportation and disposal of hazardous waste. Waste generators are required to provide copies of hazardous waste passports to persons transporting hazardous waste and to recipients of such waste.

The Environmental Code is based on several binding principles, such as a "polluter pays" principle, which involves the introduction of several measures including the elimination of environmental damage in kind and the introduction of criminal liability for responsible individuals. The Environmental Code also establishes requirements relating to the prevention, remediation and liability for environmental damage, including historical pollution, and provides for state environmental control and enforcement measures in respect of violations of environmental legislation. The Environmental Code targets entities that contribute most heavily to pollution, including those in the oil and gas sector, and imposes charges on such entities which will increase gradually and substantially. The aim is to encourage such enterprises to transition to environmentally friendly technologies with an aim to minimise harmful substance emissions.

In addition, the Environmental Code contains provisions relating to the protection of water resources, land, atmospheric air, biodiversity and the marine environment, including requirements applicable to activities carried out in marine areas of the Republic of Kazakhstan.

Environmental Permits

The concept of an environmental permit was developed as a means for the Government to regulate pollution. An environmental permit is a special permit that grants a company a temporary right to emit or disperse emissions into the atmosphere and the discharge of waste substances into surface and underground waters. Environmental permits contain the conditions governing the user's impact on the environment. Companies whose operations may have negative impact the environment are required to obtain an environmental permit.

The Environmental Code classifies facilities that have a negative impact on the environment into four categories: I, II, III, and IV. Category I includes facilities with the highest environmental impact, such as hydrocarbon extraction and processing plants, metallurgical and chemical industries, large power plants, and other high-risk enterprises. Category II facilities also have significant, but less intense, environmental impacts. Obtaining an environmental permit is mandatory for operators of Category I and II facilities. An environmental permit is a document confirming the operator's right to cause negative environmental impacts and establishing specific environmental conditions that must be complied with during the construction, reconstruction, or operation of the facility. Permits are not required for facilities of Categories III and IV, except when such facilities are located within the industrial site of a Category I or II facility and are technologically linked to it. Operators of Category III facilities are required to submit an environmental impact declaration. Two types of environmental permits exist: integrated environmental permits and permits for environmental impact. Operators of Category I facilities must obtain integrated environmental permits. A key condition for obtaining an integrated permit is the implementation of the Best Available Techniques (BAT). Integrated environmental permits are indefinite in duration unless there is a change in the primary production method or new BAT conclusions are approved with requirements that the facility does not meet. In such cases, the operator must apply for a permit review within the established timeframe. Failure to review the permit results in its expiration one year after the new BAT conclusions are approved. Operators of Category II facilities must obtain permits for environmental impact. Fees for negative environmental impacts are regulated by the Tax Code and may be increased by local representative bodies (Maslikhats). The object of taxation includes the actual volumes of emissions, discharges, waste disposal, determined within the limits of permitted standards or declared volumes.

Statute of Limitations on Proceedings

The statute of limitations for bringing civil proceedings for breach of environmental requirements is governed by the general statute of limitation provisions under the Civil Code which provides for a three-year limitation period which starts running from the time when a person learns or should have learned of a breach. This limitation does not apply to regulatory proceedings, criminal or administrative prosecutions in connection with breaches of environmental requirements, which are subject to separate limitation periods of up to 30 years.

Environmental and Other Mandatory Insurance

Kazakhstan law establishes a number of mandatory insurances to be obtained by any entity conducting certain types of activities.

Environmental Insurance

Pursuant to the Law "On Mandatory Environmental Insurance" No. 93-III dated 13 December 2005, any entity carrying out environmentally hazardous activities should insure against the risks associated with such activities.

According to Clause 7(3) of the List of Environmentally Hazardous Businesses and Other Activities, approved by Order of the Acting Minister of Ecology, Geology, and Natural Resources No. 271 dated 27 July 2021, such activities include hazardous waste management, including transboundary transportation of hazardous waste in connection with the fulfillment of obligations of the Republic of Kazakhstan. The purpose of the insurance is to ensure compensation for environmental damage resulting from accidents occurring in the course of such activities. The insurance is formalised through a mandatory insurance agreement between the insurer and the insured and must be concluded with a licensed insurer before the commencement of any environmentally hazardous operations. The agreement covers the insured's civil liability for environmental damage caused by accidents and remains valid for at least 12 months unless terminated earlier.

Other lines of mandatory insurance, which are required by Kazakhstan law and applicable to the Group's activities, are as follows:

Insurance of the Employees against Accidents at Work

Pursuant to the Law No. 30-III dated 7 February 2005 "On Mandatory Insurance of an Employee Against Accidents While Performing Labour (Service) Duties", as amended, all employers in Republic of Kazakhstan are required to insure employees against accidents that occur when they are carrying out their employment duties. The insurance covers harm to life or health resulting in death or a loss of professional capacity. The insurance agreement must be signed with a licensed insurer before employment begins and remains valid for at least 12 months or for the duration of the work, if shorter.

Health and Safety Compliance

The Groups's activities are subject to laws and regulations of Kazakhstan relating to safety and health matters, including industry specific health and safety requirements, and are regulated by various government authorities, including the Ministry of Transport, the Ministry of Labour and Social Protection of the Population and the Ministry of Health.

Such laws and normative acts include, amongst others: (a) Law of the Republic of Kazakhstan No. 188-V of 11 April 2014 "On Civil Protection", which stipulates rules and procedures related to regulation of the safety of railway transportation; (b) the Railway Transport Safety Rules approved by the Order of the Acting Minister for Investments and Development of the Republic of Kazakhstan No. 334 dated 26 March 2015, and (c) other normative acts setting out requirements for railway transportation and operation safety. The laws and regulations require transportation process participants to ensure environmental, fire and sanitary and epidemiological safety, to ensure safety of human life and health, and passenger travel safety, safety of transportation of cargo, baggage, and over-the-counter baggage, traffic safety during the operation, maintenance, repair, and servicing of rolling stock, switches, tracks, and railway equipment, and provide security of railway facilities.

As employer, the Group companies have to ensure workforce discipline, provide its employees with properly functioning and safe equipment, and ensure their professional training and education on health and safety requirements, to constantly improve the quality of repair and maintenance of facilities, including tracks, rolling stock, signaling and communication devices, power supply, railway crossings and other technical means of transport, to perform periodic medical examinations of its employees.

Samruk-Kazyna Procurement Rules

Pursuant to the Law of the Sovereign Wealth Fund Law, the Company is not subject to the general state procurement rules (established by the Law of the Republic of Kazakhstan No. 106-VIII dated 1 July 2024 "On Public Procurement" (the "State Procurement Law")) and conducts its procurement in accordance with Samruk-Kazyna Procurement Rules.

The Samruk-Kazyna Procurement Rules were approved by the minutes of the board of directors of Samruk-Kazyna No. 193 dated 3 March 2022 as amended from time to time. The Samruk-Kazyna Procurement Rules are generally similar to the state procurement rules and provide for mandatory procedures for the procurement of goods, work and services by Samruk-Kazyna and companies in which Samruk-Kazyna has a 50% or more direct or indirect ownership. The Samruk-Kazyna Procurement Rules require such companies to conduct formal public tenders in order to procure most types of goods, works and services, subject to certain limited exceptions. The procurement of certain limited categories of goods, works and services, as well as goods, works and services provided by companies within the Samruk-Kazyna group, are conducted by way of direct trades without involving the tendering procedures. Samruk-Kazyna exercises overall supervision over compliance with the Samruk-Kazyna Procurement Rules under the Samruk-Kazyna Procurement Control Rules adopted on 9 December 2021, which became effective on 1 January 2022. See also *"Business Overview – Customers and Suppliers"* in this Document for further details.

Licensing of Railway Transportation and other activities

The Law No. 202-V dated 16 May 2014 "On Permits and Notifications", as amended, (the "**Permits and Notifications Law**") consolidates and streamlines various regulations in relation to licences, permits, consents and other government approvals. A permitting or notification regime is introduced depending on the level of risk associated with the activities or actions (operations) to be undertaken and is divided into the following categories:

1. First-category permits – licences, which are required for types (subtypes) of activities or actions (operations) associated with a high level of risk;

2. Second-category permits – all permits other than licences, which are required for types (subtypes) of activities or actions (operations) associated with a medium level of risk;

3. Notifications are required for activities or actions associated with a low level of risk, where state authorities nevertheless require information regarding the commencement or cessation of such activities or actions.

The Permits and Notifications Law provides that, for instance, freight transportation by rail, transportation, including transit, of certain types of goods, such as nuclear materials, radioactive substances, radioisotope sources of ionizing radiation, radioactive waste within the territory of the Republic of Kazakhstan, construction and installation works, medical activities require license.

The licence for transportation, including transit, of nuclear materials, radioactive substances, radioisotope sources of ionizing radiation, radioactive waste within the territory of the Republic of Kazakhstan is granted for the period of five years; and the license for transportation of goods by rail, construction and installation works, medical activities is granted for an unlimited period of time by the relevant government authority after submission of the required documentation confirming that the facility fulfils all applicable requirements and the payment of a fee. A licence is not transferable from one person (licensee) to another.

If a legal entity conducts activities without the relevant licence, as required by the Permits and Notifications Law, such entity and its officers are subject to administrative and criminal liability.

Anti-monopoly Regulation

The status of some of the Group companies, KTZ-FT and Passenger Transportation, as dominant providers of freight transportation and passenger transportation in Kazakhstan, respectively, subject the relevant Group members to regulation by the Antimonopoly Agency.

In accordance with the Entrepreneurial Code, a company is deemed to occupy a dominant position if its market share is equal to or exceeds a threshold of 35%, provided that all of the following circumstances are true in respect of such entity: (i) there is a possibility of such entity unilaterally determining prices and having a decisive influence on the general conditions of a product's sale in the market; (ii) there are economic, technological, administrative or any other restrictions for others to access the market; and (iii) the possibility of such entity to have a decisive influence on the general conditions of a product's sale in the market is lasting. Companies with a market share of 50% or more are considered to occupy a dominant position whether or not they fulfil the above criteria.

In addition, if not more than three entities in a relevant market hold an aggregate market share of 50% or more, or if not more than four entities in a relevant market hold an aggregate market share of 70% or more, each is deemed to hold a dominant market position, provided that such entities meet all of the following criteria: (i) the relative shares of market participants remain the same or change insignificantly for a long period (at least a year or, if such term is less than a year, the term of a certain market existence); (ii) the product sold or purchased by such entities cannot be replaced with another product during its consumption; and (iii) the information on the price for such product and (or) the conditions of its sale is available to the general public. At the same time, if an entity holds a market share not exceeding 15% of the relevant market, such entity shall not be deemed to hold a dominant market position.

In addition, under the Entrepreneurial Code, a conglomerate is defined as a market participant (or a group of persons) holding a dominant or monopoly position in the relevant commodity market and in an adjacent commodity market. An adjacent commodity market is a commodity market where the sale of a product is not possible without the use of another product sold in the relevant commodity market. The Antimonopoly Agency maintains the State Register of Conglomerates and exercises oversight over conglomerates through analysis and monitoring of their activities. The procedures for such analysis and monitoring are established by regulations adopted by the antimonopoly authority. KTZ-FT and KTZ Express is included in the State Register of Conglomerates in connection with their activities in the railway transportation sector (State Register of Conglomerates approved by Order No. 286/NQ of the Acting Chairman of the Agency for Protection and Development of Competition of the Republic of Kazakhstan dated 20 December 2024).

The Entrepreneurial Code prohibits actions (or omissions) by market participants holding a dominant or monopoly position that have resulted or may result in restricting access to the relevant commodity market, preventing, restricting or eliminating competition, and/or infringing the lawful rights of a market participant or an indefinite group of consumers, including *inter alia*:

1. establishing or maintaining monopolistically high (low) prices or monopsonistically low prices;

2. applying different prices or different terms to equivalent agreements with market participants or consumers;

3. making the conclusion of an agreement conditional upon, or imposing, the acceptance by a market participant or consumer of additional obligations which, by their nature or in accordance with customary business practices, are unrelated to the subject matter of such agreement;

4. an unjustified refusal to enter into a contract or to sell goods to certain buyers when, at the time of the request, the seller had the capacity to produce or sell the relevant goods; or evasion, manifested by a failure to respond to a proposal to enter into such a contract within a period exceeding thirty calendar days;

5. imposing on a counterparty economically or technologically unjustified contractual terms that are unrelated to the subject matter of the agreement;

6. the setting of different prices (rates) for the same product without economic, technological, or other justification, or the creation of discriminatory conditions.

Where a market participant holding a dominant or monopoly position has been held administratively liable on two occasions within the same calendar year for violating the above prohibitions and continues to engage in conduct restricting competition, the Antimonopoly Agency may, for the purpose of promoting competition, apply to a court seeking the compulsory division of such market participant or the separation from it of one or more legal entities established on the basis of its structural subdivisions.

Market participants that intend to engage or have engaged in an economic concentration must obtain approval from the Antimonopoly Agency or properly notify it of the engagement, depending on the type of concentration.

According to the Entrepreneurial Code, an economic concentration is:

(1) a reorganisation of a market participant through a merger or consolidation;

(2) the acquisition by a person (or a group of persons) of voting shares (or participation interests in charter capital or participatory shares) in a market participant where such person (or group of persons) gains the right to dispose of more than 50% of such shares (or participation interests in charter capital or participatory shares) if, prior to such acquisition, such person (or group of persons) did not have right to dispose of shares (or participation interests in charter capital or participatory shares) in such market participant or had right to dispose of 50% or less of the voting shares (or participation interests in charter capital or participatory shares) in the charter capital of such market participant. This, however, does not apply to a new company set-up;

(3) the acquisition by a market participant (or a group of persons) of right of ownership, possession and use, including in payment for (transfer of) charter capital for fixed production assets (save for certain assets listed in the relevant provision of the Entrepreneurial Code) located on the territory of the Republic of Kazakhstan and (or) intangible assets of another market participant if the book value of the property constituting the subject of the transaction (inter-related transactions) exceeds 20% of the book value of the fixed production assets and intangible assets of the market participant alienating or transferring the property;

(4) the acquisition by a market participant (including on the basis of a trust management agreement, joint operation agreement or agency agreement) of rights which allow such market participant to issue binding instructions to the other market participant in conduct by such other market participant of its business activities; or

(5) the participation of the same individuals in the executive bodies, boards of directors, supervisory boards or other management bodies of two or more market participants, provided that such individuals determine the terms of business activities conducted by such market participants.

Either of the above transactions effected within one group of entities is not considered to be an economic concentration and as such does not require approval from or notification to the Antimonopoly Agency.

Approval by the Antimonopoly Agency (for transaction(s) numbered 1) to 3) immediately above) or the notification to the Antimonopoly Agency (for transactions numbered 4) and 5)) is required when the aggregate book value of assets of the reorganised market participants (or group of persons) or the acquirer (or group of persons) and the market participant whose voting shares (or participation interests in charter capital or participatory shares) are acquired, or their aggregate volume of sales of goods in the most recent financial year, exceed ten million times the size of the monthly calculation index in effect at the date of filing an application for approval (notification).

In general, it is the responsibility of the purchaser, which acquires shares (participation interests, stocks), fixed production assets, intangible assets or respective rights, to obtain prior approval from the Antimonopoly Agency.

A company which engages in an economic concentration without the applicable approval of or notification to the Antimonopoly Agency in violation of the Entrepreneurial Code may be subject to administrative fines and penalties.

Economic concentration conducted in the absence of the Antimonopoly Agency's consent that results in the creation of a monopoly position of a market participant (or a group of entities) and (or) restriction of competition may be invalidated by a court on the basis of an action brought by the Antimonopoly Agency.

In addition, state registration, re-registration of a market participant and rights to real estate in violation of the requirements of the Entrepreneurial Code may be invalidated and cancelled by a court on the basis of an action brought by the Antimonopoly Agency.

Personal Data Protection

The purpose of the Law of the Republic of Kazakhstan No. 94-V "On Personal Data and Its Protection" dated 21 May 2013, as amended (the "**Personal Data Law**") is to ensure the protection of the rights and freedoms of individuals during the collection and processing of their personal data. In particular, the Personal Data Law requires that an individual must consent to the processing (i.e., any action on the accumulation, storage, modification, addition, use, distribution, depersonalisation, blocking and destruction) of their personal data and must provide such consent prior to the personal data being processed, unless otherwise provided by the laws of the Republic of Kazakhstan. In particular, the Personal Data Law permits the collection and processing of personal data without such consent in certain cases expressly provided by law, including, among others, where such processing is carried out by state authorities in the performance of their statutory functions (for example, in connection with law enforcement, regulatory supervision, statistical activities or tax administration), where personal data are published in accordance with applicable laws, where processing is required for the implementation of international treaties ratified by the Republic of Kazakhstan, or where it is necessary to protect constitutional rights and freedoms and obtaining consent is not possible. Under the Personal Data Law, personal data processing consent may be provided in several forms, most commonly in writing. Cross-border transfer of data is permitted subject to the consent of the subject of personal data to this. The Personal Data Law also requires that the collection and processing of personal data be limited to specific, predetermined and lawful purposes and prohibits the collection and processing of personal data for purposes that may cause material or moral harm to the data subject or restrict the exercise of his or her rights and legitimate interests.

The storage of personal data by owners and operators of databases containing personal data, as well as by relevant third parties, must be carried out in a database located in the Republic of Kazakhstan. Cross-border transfer of personal data is generally permitted only where the receiving jurisdiction ensures protection of personal data, although transfers to jurisdictions that do not ensure such protection may still be permitted in certain cases, including where the data subject has consented. Owners and operators of databases containing personal data, as well as relevant third parties, are required to implement legal, organisational and technical measures to protect personal data in accordance with the Personal Data Law and the Law of the Republic of Kazakhstan No. 418-V "On Informatization" dated 24 November 2015, as amended. Kazakhstani law also provides for certain notification obligations in the event of personal data security breaches.

Employment

Employment matters in Kazakhstan are governed mainly by the Labour Code. The Labour Code sets out minimum rights of employees that must be complied with by any employer in Kazakhstan. Employment is required to be documented by an employment agreement that may be entered into either for an indefinite term or a fixed term (generally not less than one year). Foreigners may be employed in Kazakhstan equally as Kazakhstan citizens. However, as a general rule, a work permit is required prior to employment of foreign citizens. The permits are issued within the annual quota limits for employing foreigners in Kazakhstan established by the Ministry of Labour and Social Protection of the Republic of Kazakhstan. In addition, employers are required to register employment agreements and certain related employment information in the Unified System of Labour Contracts (the electronic labour exchange platform). This includes, among other things, employment agreements, amendments to such agreements and information on termination of employment, and such registration constitutes a mandatory requirement under applicable legislation.

Under the Labour Code, employees are granted certain rights and protections. For instance, a regular duration of working hours must not exceed forty hours a week. Overtime work must not exceed two hours a day for each employee and must be compensated. The total duration of overtime work must not exceed 12 a month and 120 a year. The paid annual leave must be at least 24 calendar days. Employees also have the right to establish and join trade unions. Trade unions may represent employees in collective bargaining and in resolving labour disputes with employers.

An employment agreement may be terminated, among others, by mutual consent of the employer and the employee, upon expiration of the employment agreement, at the employee's initiative, or at the employer's initiative. Unilateral early termination of employment agreements by an employer is possible only for certain reasons expressly outlined in the Labour Code. The Labour Code establishes cases when early termination of employment agreements by an employer is prohibited, including during the period of temporary disability of employee and during the annual leave, as well as in relation to pregnant women, women with children under the age of three and single mothers of children under the age of 14 or children with disabilities under the age of eighteen.

Entering into a collective bargaining agreement is allowed by the Labour Code but is not compulsory. An employer must maintain a compulsory occupational accident insurance and social insurance. Employers are also required to make mandatory payroll-related contributions, including mandatory pension contributions, social insurance contributions, contributions to the Social Health Insurance Fund and social tax payments in accordance with the applicable legislation of Kazakhstan. Employers must also ensure compliance with occupational health and safety requirements, including the provision of safe working conditions, training of employees on occupational safety rules and the investigation of workplace accidents.

The Law on Railway Transport establishes additional grounds for suspending a railway transport employee from work, namely: (i) failure to comply with instructions issued by the dispatching service or the National Infrastructure Operator in connection with the management of the transportation process and train operations; and (ii) violation of working time regulations. Besides, railway transport employees engaged in serving passengers, consignors and consignees, as well as those directly involved in train operations, must be provided by their employer, at the employer's expense, with uniforms (without shoulder insignia) bearing the appropriate distinguishing insignia.

Arbitration Law

There are the following limitation established in the Law of the Republic of Kazakhstan No. 488-V dated 8 April 2016 "On Arbitration" (the "**Arbitration Law**"):

1. Article 8.8 of the Arbitration Law envisages that an arbitration court shall not have jurisdiction over, among others, the disputes which are between state bodies and between quasi-state sector entities. Article 3.1.31 of the Budget Code provides a very broad definition for the term "quasi-state sector entities". The Company falls under falls under this definition. Accordingly, any disputes which are solely between the Company and other Kazakhstan quasi-state sector entities or governmental authorities may be submitted only to the state courts of Kazakhstan.

2. Article 8.10 of the Arbitration Law further provides that, an arbitration tribunal is not entitled to consider disputes between Kazakhstan individuals and/or legal entities, on the one side, and government authorities, state enterprises, as well as legal entities,

50% or more of voting shares (participation interests in the charter capital) of which are directly or indirectly owned by the state, on the other side, in the absence of a consent of the authorised body of the relevant industry (in relation to republican property) or the local executive authority (in relation to the municipal property). The government authorities, state enterprises, as well as legal entities (such as the Issuer), 50% or more of voting shares (participation interests in the charter capital) of which are directly or indirectly owned by the state, intending to conclude an arbitration agreement, must send to the authorised body of the relevant industry (or local executive authority) a request for granting a consent to conclude such arbitration agreement, with an indication of the estimated costs of the arbitration proceedings. When considering the request, the authorised body (or the local executive authority) must take into account the economic security and interests of the state. In order to submit its disputes with Kazakhstan individuals or legal entities to arbitration, the Company must obtain this consent.

In other cases when choosing an arbitration court, the parties are free to choose Kazakhstan-based (*e.g.,* the International Arbitration Centre (the "**IAC**") within the AIFC, the Arbitration Centre of the National Chamber of Entrepreneurs Atameken, etc.) or international arbitration courts (*e.g.,* the London Court of International Arbitration, the ICC International Court of Arbitration, etc.).

IAC Arbitration

The AIFC is a financial hub in Astana, Kazakhstan, which was officially launched in 2018 and which has a special legal regime. The IAC is functioning in the territory of the AIFC and is intended to provide an independent, economical and expeditious alternative to court litigation, operating to the highest international standards to resolve civil and commercial disputes in the AIFC. Parties may agree for the IAC to administer their arbitration according to the IAC Arbitration and Mediation Rules, UNCITRAL Arbitration Rules or *ad hoc* arbitration rules and administer their mediations according to the IAC Arbitration and Mediation Rules or *ad hoc* mediation rules. The parties to a dispute may provide other forms of alternative dispute resolution.

The IAC's panel of arbitrators consists of over thirty professionals from over ten different countries, including the United Kingdom, the United States, China, Hong Kong, Japan, India, Singapore, Russia, and certain countries of the European Union.

The Regulatory Authorities

The Ministry of Transport

The Ministry of Transport is the main state body which exercises overall management and oversight in the railway transport sector and develops and implements state policy in the railway transportation area and is the competent authority in the railway transportation sphere in Kazakhstan in accordance with the Law on Railway Transport and the resolution of the Government of the Republic of Kazakhstan No. 862 dated 4 October 2023 (the "**Resolution 862**") which approved the Regulations on the Ministry of Transport of the Republic of Kazakhstan.

According to the Resolution 862, the Ministry of Transport represents the interests of the Republic of Kazakhstan and implements the state policy in the sphere of railway transportation through:

(1) adopting regulations governing railway transportation, railway safety and operation of railway infrastructure;

(2) establishing procedures for the organization of passenger transportation services, including interregional and international passenger routes;

(3) regulating access to and use of the mainline railway network;

(4) overseeing compliance with railway transport legislation and safety requirements;

(5) coordinating the operation and development of the railway transport system;

(6) participating in the regulation of international railway transportation and implementation of Kazakhstan's international obligations in the railway sector; and

(7) exercising other powers assigned to it under the Law on Railway Transport and related legislation.

In addition, under the Law on Merchant Shipping, the Ministry of Transport is the authorized state agency for the purposes of this law and its powers *inter alia* include: approval of the rules for granting seaport status; approval of the rules governing the application of prices (tariffs) for mandatory seaport services, etc.

The Ministry of National Economy

The Ministry of National Economy of the Republic of Kazakhstan is the central executive authority responsible for, among other matters, the implementation of state policy and intersectoral coordination in the field of state regulation and supervision of natural monopolies. Through the Natural Monopoly Committee, the Ministry of National Economy performs the following principal functions:

(1) maintaining the State Register of Natural Monopoly Entities;

(2) approving tariffs, tariff estimates and tariff methodologies for regulated services;

(3) approving temporary compensatory tariffs and monitoring compliance with approved tariffs;

(4) approving and monitoring the implementation of investment programmes of natural monopoly entities;

(5) adopting regulatory acts governing tariff formation and the provision of regulated services;

(6) approving certain transactions and corporate actions of natural monopoly entities in cases prescribed by law;

(7) conducting regulatory oversight and monitoring compliance with natural monopoly legislation; and

(8) investigating violations of natural monopoly legislation and applying enforcement measures within its competence.

Antimonopoly Agency

The Antimonopoly Agency carries out management in the area of competition protection and restriction of monopolistic activity, control and regulation of activities related to the sphere of state monopoly. Its principal powers include:

(1) exercising state control over compliance with the legislation of the Republic of Kazakhstan in the field of competition protection;

(2) reviewing applications for consent to economic concentration;

(3) preventing and eliminating abuses of a dominant or monopolistic position in the relevant commodity market;

(4) preventing and suppressing anticompetitive agreements, concerted practices and unfair competition;

(5) conducting analyses of competition conditions in commodity markets;

(6) identifying monopolistically high (low) prices established by entities holding a dominant or monopolistic position;

(7) conducting investigations into violations of competition legislation;

(8) monitoring the activities of state-owned enterprises, legal entities more than 50% of whose shares are owned by the state, and their affiliates, including with respect to obtaining antimonopoly approval for the creation, expansion or modification of business activities;

(9) issuing binding orders requiring the cessation of violations of competition legislation and the elimination of their consequences; and

(10) considering administrative offence cases and imposing administrative sanctions in accordance with applicable legislation.

Environmental Agency

The Ministry of Ecology and Natural Resources of the Republic of Kazakhstan, the state authority in the sphere of environmental protection responsible for formation and implementation of the state environmental protection policy, as well as for coordination of processes in the development of 'green economy' and waste management areas. This ministry is responsible for, amongst others, environmental regulation and permitting, environmental impact assessment, state environmental control and supervision, regulation of atmospheric emissions, waste management, water use and environmental protection requirements applicable to railway operators and railway infrastructure facilities. The Ministry also oversees compliance with environmental legislation and may impose administrative measures for violations of applicable environmental requirements.

The Ministry of Labour and Social Protection of the Population

The Ministry of Labour and Social Protection of the Population of the Republic of Kazakhstan is responsible for management in the social and labour sphere, as well as migration, and develops and approves procedures and conditions for issuing or extending permits for foreign workforce.

EEU Regulation

The EEU Treaty was signed on 29 May 2014 and entered into force on 1 January 2015. The EEU Treaty established the EEU, within which the free movement of goods, services, capital and labour is ensured, and coordinated, agreed or unified policies are implemented in the sectors of the economy specified by the EEU Treaty and international agreements concluded within the framework of the EEU.

The EEU is an international organization of regional economic integration possessing international legal personality. The member states of the EEU are Kazakhstan, Russia, Belarus, Armenia and Kyrgyzstan.

A coordinated (harmonized) transport policy is implemented within the EEU with a view to promoting economic integration and the gradual and phased development of a single transport area based on the principles of competition, openness, safety, reliability, accessibility and environmental sustainability. The objectives of the coordinated (harmonized) transport policy are:

1. the establishment of a common market for transport services;
2. the adoption of coordinated measures to secure common benefits in the field of transport and implement best practices;
3. the integration of the transport systems of the Member States into the global transport system;
4. the efficient utilization of the transit potential of the Member States;
5. the improvement of the quality of transport services;
6. the promotion of transport safety and security;
7. the reduction of the adverse impact of transport on the environment and human health; and
8. the creation of a favourable investment climate.

Pursuant to the EEU Treaty, the Procedure for Regulating Access to Railway Transport Services, Including the Fundamentals of Tariff Policy, was adopted. The Procedure sets out the rules governing access to railway transport services, including the fundamentals of tariff policy, and applies to relations between railway transport organizations, consumers and the authorized authorities of the Member States responsible for railway transport services. In accordance with the Procedure with respect to the transportation of goods from the territory of one Member State to third countries and in the reverse direction, in transit through the territory of another Member State (except for the transportation of goods through the seaports of the Member States), as well as the transportation of goods from third countries to third countries in transit through the territories of the Member States, a coordinated (harmonized) tariff policy is implemented in accordance with the Concept for the Establishment of a Coordinated Tariff Policy in Railway Transport of the States Parties to the CIS, dated 18 October 1996.

In the framework of the EEU Treaty and pursuant to Resolution of the Board of the EEU No. 175 dated 26 October 2021, a list of Eurasian transport corridors and routes was approved, identifying the principal transport corridors and routes of strategic importance within the EEU.

Other International Treaties

There are also several international treaties (agreements) which govern certain activities of the Group.

For example technical conditions for the placement and securing of cargo, the procedure and conditions for the transportation of bulk liquid cargo, dangerous goods, which are not governed by the Rules for the Transportation of Goods by Rail, are established by international agreements (treaties) adopted within the framework of the OSJD and the Council for Railway Transport of the Member States of the CIS, Georgia, the Republic of Latvia, the Republic of Lithuania and the Republic of Estonia and other international agreements (treaties) to which the Republic of Kazakhstan is a party.

Such treaties include, for example:

- The Agreement on the Regulation of Access to Railway Transport Services, including the Principles of Tariff Policy between the Government of the Republic of Belarus, the Government of the Republic of Kazakhstan and the Government of the Russian Federation entered in Moscow on 9 December 2010 and ratifies by the Law of the Republic of Kazakhstan No. 446-IV dated 28 June 2011.

  The Agreement is aimed at (i) ensuring access for consumers of the parties to rail transport services for transportation within the territory of each party on terms no less favorable than those created for consumers of that Party, (ii) maintaining a balance of economic interests between consumers of rail transport services and the railway transport organizations of the parties, and (iii) ensuring conditions for access by railway transport organizations of one party to the domestic market for rail transport services of the other party.

  The Republic of Kazakhstan is also a party to the Agreement between the Railway Administrations of the Member States of the CIS, Georgia, the Republic of Latvia, the Republic of Lithuania and the Republic of Estonia on the Special Application of Certain Provisions of the Agreement on International Railway Freight Communication (OP SMGS) dated 1 October 1997.

- The Agreement on International Railway Freight Transport to which the Republic of Kazakhstan acceded by Order of the Prime Minister of the Republic of Kazakhstan No. 19071 dated 9 November 1992.

  The Agreement establishes uniform legal norms in the contract for transportation of goods in direct international rail traffic and in direct international rail-ferry traffic. The Resolution of the Cabinet of Ministers of the Republic of Kazakhstan No. 474 dated 4 May 1994 "On the Transition of the Railways of the Republic of Kazakhstan to the Organisation of International and Inter-State Transportation of Goods on the Basis of the Agreement on International Railway Freight Communication" established that from 1 May 1994, delivery and interstate transportation of goods by rail shall be carried out under the conditions provided for by the Agreement on International Railway Freight Transport.

Pursuant to the Law of the Republic of Kazakhstan No. 480-V dated 6 April 2016 "On Legal Acts", international treaties ratified by the Republic of Kazakhstan prevail over its laws and are directly applicable, except where an international treaty provides that the enactment of a law is required for its implementation.