

Review of regulatory environment

The main legislative acts of the Republic of Kazakhstan governing the activity of Kazakhtelecom JSC are the Business Code of the Republic of Kazakhstan, the Laws of the Republic of Kazakhstan "On Communications", "On Natural Monopolies", and "On Joint Stock Companies".

The Business Code of the Republic of Kazakhstan

(hereinafter the "BC") determines the legal, economic and social conditions and guarantees ensuring freedom of entrepreneurship in the Republic of Kazakhstan and regulates public relations arising in connection with the interaction of business entities and the state, including state regulation and support for entrepreneurship.

Changes were made to the BC in different ways during 2021.

In accordance with the Law of the Republic of Kazakhstan of 02.01.2021, article 25-1 has been added to the BC, pursuant to which the National Chamber of Entrepreneurs of the Republic of Kazakhstan creates and maintains a register of business partners to provide business entities and other parties with information on the integrity and integrity of business partners. The Law of the Republic of Kazakhstan of 15.11.2021 "On the Introduction of Amendments and Addenda to Certain Legislative Acts of the Republic of Kazakhstan on Issues of State Procurement, Procurement of Subsoil Users and Subjects of Natural Monopolies, Communications, Road Transport, Defense and Science Financing" (enacted from 1 January 2022) added point 13 of article 28 of the BC to the information of an enterprise classified as publicly available information, namely: information on state purchases and purchases of entities of the quasi-public sector, except for organizations included in the structure of the National Bank of the Republic of Kazakhstan and legal entities, fifty percent or more of voting shares (equity interests) owned or managed by the National Bank of the Republic of Kazakhstan, including information on plans, announcements, participants, results, contracts concluded; performance of contractual obligations and payment, as well as information on local content; except for information constituting state secrets in accordance with the laws of the Republic of Kazakhstan on state secrets and/or

containing restricted proprietary information, as determined by the Government of the Republic of Kazakhstan.

The Law of the Republic of Kazakhstan of 27.12.2021 appended chapter 23-1 "State Support for Innovation Activity", which defines the concept and content of innovation activity, establishes the goal, goals and fundamentals of state support for innovation activity. In addition, pursuant to article 241-3 of the BC, the subjects of the innovation system participating in state support of innovation activity include the national institute for development in the area of innovative development and other legal entities, fifty or more percent of the voting shares (equity interests in charter capital) of which are directly or indirectly owned by the state, authorized to implement measures of state support for innovation activity. Article 241-7 of the Civil Code establishes measures of state support for innovation activity.

From January 1, 2023, in accordance with the Law of the Republic of Kazakhstan of 30.12.2021, chapter 7 of the BC will be supplemented with article 83-1 "Register of Mandatory Requirements in the Area of Entrepreneurship". The register of mandatory requirements in the area of entrepreneurship is understood to mean a publicly available database of regulatory acts, broken down by areas of regulation of entrepreneurial activity. For the purposes of this article, regulatory acts shall be understood to mean effective regulatory legal acts, as well as other documents containing the requirements binding on entrepreneurs in accordance with the laws of the Republic of Kazakhstan. The register of requirements includes effective regulatory acts containing mandatory requirements for entrepreneurs in the relevant areas of regulation. The creation and maintenance of a register of requirements shall be performed by the authorized enterprise body on the basis of the Unified System of Legal Information.

In accordance with the Law of the Republic of Kazakhstan of 03.01.2022, a new version of article 193 "State Monopoly and Special Law" comes into effect from 01.07.2022. In this regard, the exclusive or pre-emptive right of a market subject stipulated by law to produce, sell and/or purchase any goods on a competitive market is a special right. The subject of special law may be a state-owned enterprise, joint-stock company, limited-liability partnership, determined pursuant to the procedure established by the Government of the Republic of Kazakhstan. The determination by a subject of a special right of a legal entity, less than one hundred percent of shares (equity interests in charter capital) of which are directly or indirectly owned by the state, is permitted only if it is impossible for the subject of a special right of a legal entity, 100% of shares (equity interests in charter capital) of which are directly or indirectly owned by the state. Restrictions are also established on the subjects of the state monopoly and special law.

The most significant provision is Article 176-1 of the BC, which is effective from 07.03.2022. This norm stipulates the introduction of a mechanism for accessing the Key Capacity. For example, point 1 of article 176-1 of the BC Law establishes that the key capacity is a product, an infrastructure object of a market subject holding a dominant or monopolistic position, without access to which other market participants cannot manufacture and/or sell goods (work, services) on the corresponding or adjacent commodity market. Under this regulation, the Company and its subsidiaries, including Kcell JSC and Mobile Telecom Service LLP, will be forced to provide other market entities with their telecommunications network, mobile network, PSD and other infrastructure for use, which will be recognized as key capacity on the terms determined by the antimonopoly body.

The Law of the Republic of Kazakhstan "On Communications" (hereinafter the "Law

On Communications") establishes the legal framework for communications activity in the Republic of Kazakhstan, determines the authorities of the state authorities to regulate this activity, and the rights and obligations of individuals and legal entities providing or using communications services.

The Law on Communications was amended by the Law of the Republic of Kazakhstan of 15.11.2021. For example, article 12, which regulates the general provisions on the distribution of the radio-frequency spectrum, identification and assignment (purpose) of strips of frequencies, radio frequencies (radio-frequency channels), it is added with norm in Paragraph 6, pursuant to which individuals and legal entities that have received permission to use the radio-frequency spectrum; those issued for the organization of broadband access to communications services must, no later than two years after the receipt of such permits, ensure the availability of technical infrastructure to provide access to communications services; corresponding minimum quality thresholds, at least thirty percent of the population in each population center in the territory where the permits were issued.

This requirement does not apply to communications operators that have assumed obligations under permits issued by the authorized body to use the radio-frequency spectrum to provide communications services to population centers and/or territories in accordance with part two of point 6 of article 12 of the Communications Law.

The grounds for terminating the effect of the permit to use the radio-frequency spectrum have been added: the lack of technical infrastructure ensuring the conditions for the provision of broadband access to communications services for at least thirty percent of the population in each population center and/or in the territory of use of the issued permit to use the radio-frequency spectrum at the end of two years after its receipt (sub-point 5) of point 8-1 of article 12).

Point 9 of article 12 of the Law on Communications stipulates that the procedure for drafting and issuing a permit to use the radio-frequency spectrum shall be determined by the authorized body.

The main goals of **the Law of the Republic of Kazakhstan "On Natural Monopolies"** are to determine the legal framework, ensure the openness and transparency of the procedures for state regulation of activity in the areas of natural monopolies, ensure the protection of the interests of consumers and natural monopolies, and encourage an increase in the quality of regulated services and satisfaction of demand for them.

According to the Law RK of 02.01.2021 "About modification and additions in some acts of RK concerning restoration of economic growth" Article 25 is supplemented with Paragraph 6-1 according to which subjects of natural monopoly provide information to National chamber of businessmen of RK for creation, maintaining and use of the register of business partner in the order determined by the Government of RK.

It should also be noted that the Law of the Republic of Kazakhstan of 30.12.2021 "On the Introduction of Amendments and Addenda to Certain Legislative Acts of the Republic of Kazakhstan on Issues of Trading, Development of Stock Exchange Trading and Protection of Personal Data" (introduced from 02.03.2022) regarding legislation in the area of personal data and their protection significantly expand the functions of the authorized body. Within the framework of such authorities, the authorized body has the right to adopt a number of subordinate legislative acts on issues of the collection and processing of personal data, which may significantly change the existing procedure for the collection and processing of personal data and access to personal data in state databases.

In addition, in 2021 various general amendments were introduced to certain legislative acts of the Republic of Kazakhstan used in the activity of Kazakhtelecom JSC, such as the Civil Code, the Tax Code, the Code of Administrative Offences, the Law "On the Securities Market", the Law "On Permits and Notifications", and the Law "On Joint Stock Companies".