



Appendix No 2 of the Resolution No 23/02 dated 19th February of 2022 of Board of Directors of BDSec JSC

DAYANBILGUUN DANZAN
CHAIRMAN OF BOARD OF DIRECTORS

RULES OF PROCEDURES FOR AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF BDSEC JSC

ONE. General provisions

- 1.1 This procedure regulates the structure of the Audit Committee of the Board of Directors (hereinafter referred to as the "Committee"), the rights and duties of its members, their election and dismissal, and the organization of meetings.
- 1.2 The Board of Directors will establish the Audit Committee for providing consultations or advice to the Board of Directors of the company, confirming independent audit operations, and encouraging independent auditors to efficiently cooperate with the Board members and management of the company. Furthermore, The Committee shall provide consultations or advice to the Board of Directors based on their re-examinations of the company's financial reporting process, the internal control system, audit, the monitoring activities in the implementation of relevant laws, rules, and regulations, and the company's risk management procedures.
- 1.3 The Board of Directors is not obliged to implement proposals provided by the Committee as the Committee's proposals are only recommendations.

TWO. Powers of the Committee

- 2.1. The Committee would have the following powers.
 - 2.1.1. Internal control and risk managements:
 - 2.1.1.1. The Committee would identify and review the main operational, financial, and legal risks and determine the guidelines and policies followed by the company's managements during risk determination, assessment, mitigation, and control over a certain period.
 - 2.1.1.2. The Committee would develop a recommendation to expand, refine and improve the scope of control activities.
 - 2.1.1.3. The Committee will assess the overall performance of internal control and risk management, including the company's executive management, budget, and personnel issues, and how the company implements recommendations made by internal control and external audits.
 - 2.1.2. Financial report:

- 2.1.2.1. Before the Board approves the company's annual report, the Committee is subject to provide the recommendation, including its financial reports, notes, and issues discussed and analyzed at the management level.
- 2.1.3. Employees will be provided with conditions for anonymous suggestions and complaints, and those complaints will be reviewed, including information submitted about fraud, illegal, and unethical actions and omissions related to executive management and other managers and employees who play a significant role in internal audit activities.

THREE. The Committee duties and authorities

- 3.1. Members of the Committee shall oblige to participate actively in its operations and attend in its meetings.
- 3.2. Members of the Committee shall have the obligation for maintaining confidentiality and shall not disclose any information obtained during the meeting or their operation.
- 3.3. Members of the Committee are subject to monitor the implementation of the Committee's rule and procedures as well as the Committee is obliged to give notice of any changes in members' duties to the Board of Directors and provide its review annually.

FOUR. The Committee members appointment and resignation or dismissal

- 4.1. The Committee consists of a minimum of three members and shall be elected by a majority of the voting power of the whole Board.
- 4.2. The term of office of the Committee's members is the same as the Board members' term.
- 4.3. 2/3 of the Committee members must be independent members of the Board.
- 4.4. The Chair of the Committee should be an independent member of the Board.
- 4.5. The Board of Directors will terminate or re-elect the Committee or any member at any time.

FIVE. The Committee meeting agenda

- 5.1. The Chair of the Committee must be elected by the majority vote.
- 5.2. The Committee's activities are carried out meetings, and the Committee meetings shall be held as regular and extraordinary meetings.
- 5.3. The regular meeting may be held once in six months. The extraordinary meetings can be convened at random or critical times, or a shorter notice in case of urgent business.
- 5.4. If the Board of Directors schedules the meeting to discuss issues related to the rules and procedures of the Committee, the Committee shall announce its meeting in advance at least 7 days before the date of the meeting of the Board of Directors.
- 5.5. The meeting of the Committee shall be held as often as the Chairman deems necessary and if requested by the member, or by the decision of the Board.
- 5.6. The Committee meeting shall be valid if the Committee members attend in person or with the written consent of absent members as well as the meeting may be held through video or audio format.

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- 5.7. The Secretary of the Board is subject to issue not less than 3 days' notice and the meeting agenda, and provide any necessary materials and information related to the meeting. Such notification shall be made in any convenient manner mutually agreed upon by the members of the Committee, such as by telephone, fax, post, or email.
- 5.8. The quorum shall be considered the majority of members of the Committee.
- 5.9. The decision shall be made by the majority of members present and voting.

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