

«APPROVED»  
by the decision of the Board of Directors of  
«QAZAQ AIR» JSC  
dated “29” December 2016 #21

Annex # 2 to the Minutes of  
in-person meeting of the Board of Directors of  
«QAZAQ AIR» JSC  
dated “29” December 2016 # 21

**Regulations on Internal Audit Service**  
**JSC «QAZAQ AIR»**

**Almaty, 2016**

## Table of Contents:

Contents .....	2
1. General Provisions .....	3
2. The status of the Service .....	5
3. Mission and goals.....	6
4. Objectives and functions .....	6
5. Restrictions on the activities of the Service.....	8
6. Qualification requirements.....	8
7. Rights and authorities of the Service .....	9
8. Responsibility of the Service and its Head .....	11
9. Imposition of penalties.....	12
10. Provision of information to Board of Directors, Audit Committee .....	13
11. Interaction of the Service with Executive Body .....	13
12. Evaluation of activities of the Service .....	14
13. Final provisions.....	15

## 1. General Provisions.

1. These Regulations on Internal Audit Service (hereinafter - Regulations) determine the status of the Internal Audit Service (hereinafter - Service), objectives, functions, rights and responsibilities of the Service, the main requirements to the structure of the Service and qualifications of its employees, the procedure for appointment of the Head and employees of the Service, decisions on the imposition of disciplinary penalties, as well as the powers of the Head of the Service and the procedure for the interaction of the Service with the Board of Directors, the executive body of the Joint Stock company «QAZAQ AIR» (hereinafter - the Company), and with other organizations.

2. The Regulations are based on the application in the organization of activities of the Service, of Code of Ethics, standards of quality and performance standards of Internal Auditors, established by the International Institute of Internal Auditors (The Institute of Internal Auditors Inc.).

3. Determination of the quantitative composition, staffing list and terms of office of the Service, appointment of the Head of the Service, and termination of their powers is carried out by the Board of Directors of Company, after the prior approval by the Audit Committee of Board of Directors (hereinafter - the Audit Committee), if available.

4. The employment contract with the Head and employees of the Service is concluded, based on the decision of the Board of Directors, by the head of executive body of Company (hereinafter - the Executive body), in accordance with the labor laws of the Republic of Kazakhstan.

5. Service working procedure, assessment of its activities, amount and terms of payment for labor and bonuses to the Head and employees of the Service is approved / determined by the Board of Directors with the prior approval / review by the Audit Committee, if available.

6. Social support, guarantees and compensation payments for employees of the Service is carried out in accordance with the Company's internal documents approved by the Board of Directors.

7. Job duties, rights and responsibility of the Head and employees of the Service are defined by the relevant job descriptions, which are developed on the basis of these Regulations, employment contracts, internal documents of the Company and approved by the Chairman of the Board of Directors upon prior approval of the Audit Committee, if available, or the Chairman of the Audit Committee, if available.

8. Service, when carrying out its activity is guided by the legislation of the Republic of Kazakhstan, the Charter, decisions of the bodies of Company, these Regulations, annual audit plan, approved by the Board of Directors, and other internal regulatory documents of the Company.

9. The procedure and rules for planning and carrying out activities of the Service are also regulated by internal regulatory documents, developed in compliance with the principles and provisions of the Standards and Code of Ethics and approved by the Board of Directors and / or approved by the Audit Committee, if available.

10. The following terms and definitions are used in these Regulations<sup>1</sup>:

### **Internal audit**

activities on provision of independent and objective guarantees and consultations, aimed to improve activities of organization. Internal audit helps organization to accomplish its objectives by using a systematic, consistent approach to

---

<sup>1</sup> Terms and definitions are interpreted in accordance with International professional standards of internal audit of Institute of internal auditors (The Institute of Internal Auditors Inc.)

evaluate and improve the effectiveness of risk management processes, control and corporate governance.

**Internal control**

Any action by the Executive Body, the Board of Directors and other stakeholders on risk management and increase of the likelihood of achieving the goals and objectives.

**Code of Ethics**

Code of Ethics of the International Institute of Internal Auditors (IIA) include principles related to the profession and practice of internal audit, Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both individuals and legal entities that provide internal audit services. The purpose of the Code of Ethics is to disseminate high ethical standards in the global community of professional internal auditors.

**Consulting services**

activities on provision to the Board of Directors, the Executive Body and the structural units of the Company (hereinafter - the Customer) of consultations, recommendations, etc., the nature and content of which is agreed with the Customer, aimed at assisting and improving corporate governance processes, risk management and control, precluding the acceptance by Service of responsibilities for the management decisions.

**A conflict of interest**

situation when the internal auditor, a person of trust, has a competing professional or personal interest. The presence of these competing interests can interfere the internal auditor to carry out his duties impartially.

**Corporate governance**

set of management processes and organizational structures in organization created to inform, manage and monitor the activities of the organization in order to achieve their goals, as well as a system of relationships between the organization's management, its board of directors, its shareholders and other stakeholders.

**Fraud**

any illegal acts characterized by deceit, concealment, or breach of trust. Fraud does not include those activities that occur under the influence of force or threat of force. Fraud is committed by physical persons and legal entities in order to obtain money, property or services, evading payment of money or provision of services, or for personal or commercial gain.

**Independence**

The freedom from conditions that threaten the possibility of the Internal Audit Service to carry out their duties impartially.

**Objectivity**

The mental attitude that allows internal auditors to impartially carry out tasks so that they have confidence in the results of their work and avoid compromise on its quality.

Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

**Provision of Guarantees**

An objective analysis of the available audit evidence to provide an independent assessment of the corporate governance processes, risk management and control in the organization. (Example: tasks on financial audit, effectiveness audit, audit for compliance with requirements, audit of security systems and comprehensive analysis of economic activities (due diligence tasks).

**Usefulness**

internal audit benefits the organization (and its stakeholders) when it provides objective and competent warranty and improves the efficiency and effectiveness of risk management processes, control and corporate governance.

**Risk**

Potential risk event (or coincidence) in the future, which, in the case of its implementation, could have a material adverse effect on the Company achieving its long-term and short-term goals. Risk is measured by assessing the consequences and likelihood of occurrence.

**Head of Internal Audit Service**

The person appointed by the decision of the Board of Directors and is responsible for the internal audit of the organization, effective management of internal audit in accordance with the Regulations on Audit and the Definition of Internal Audit, Code of Ethics and Standards, and has appropriate professional certification and qualifications.

**Risk management**

process to identify, assess, manage, and control potential events or situations to provide reasonable assurance to achieve the organization's goals.

**Standards**

official professional status, published by the International Institute of Internal Auditors, which establishes the requirements for the internal audit on a wide range of issues, as well as to the assessment of the internal audit activity.

**2. The status of Service**

11. Service is a body of the Company, providing organization and implementation of internal audit in the Company, organizationally subordinating and functionally reporting to the Board of Directors.

12. Service activities are supervised by Audit Committee in accordance with the internal regulatory documents, governing the activities of the Audit Committee. In the absence of the Audit Committee in the Company, its functions are carried out directly by the Board of Directors.

13. Service administratively reports to the Executive Body of the Company. Administrative reporting covers: provision by the executive body of the relevant working conditions to the Head and employees of the Service, payment for work, publishing, on the basis of decisions taken by the Board of Directors, of the relevant instructions, regarding the activities of the Service; getting reports of the Service<sup>2</sup>; control over compliance with labor regulations; execution of orders for business

---

<sup>2</sup> Audit reports on results of executed audit tasks, business trip reports

trips, vacations, and other actions that do not contradict the status of the Service in accordance with these Regulations and other regulatory documents of the Company. The Executive body shall not use the administrative subordination to influence the independence and objectivity of the Service.

14. The Service shall be independent from the influence of any persons in the performance of its tasks and functions for the proper implementation and enforcement of their objective and independent judgment.

15. The independence and objectivity of Service is provided by compliance with the requirements of Standards in relation to the criteria on organizational independence and objectivity.

16. The Service must be impartial and unbiased in their work and avoid conflicts of interest.

17. Evaluation of the activities of the Service is done in accordance with the requirements of the present Regulations and other normative documents, regulating the activities of the Service.

18. Head and employees of the Service are subject to the provisions of the Company's internal documents, except for documents that cannot be applied in accordance with the status of Service, Company's Charter and present Regulations.

### **3. Mission and goals.**

19. The mission of the Service is to provide the necessary assistance to the Board of Directors and Executive Body in the performance of their duties to achieve the Company's strategic objectives.

20. The main goal of the activities of the Service is to provide the Board of Directors, with independent and objective assurance and consultations, aimed at improving risk management systems, internal control and corporate governance in the Company.

### **4. Objectives and functions.**

21. The main objectives of the Service, are:

- 1) assessment and facilitating the improvement of the internal control system;
- 2) assessment and facilitating the improvement of risk management system;
- 3) assessment of risk to commit fraud and fraud risk management efficiency in the Company;
- 4) assessment and facilitating the improvement of corporate governance in the Company;
- 5) assessment of the accuracy, completeness, objectivity of the accounting system and the reliability of financial reporting;
- 6) assessment of compliance with the requirements of the legislation of Republic of Kazakhstan, requirements of normative documents of JSC "Samruk-Kazyna" (hereinafter - the Fund), in accordance with established procedure, applicable to Company (compliance control);
- 7) assessment of the rationale and efficiency of use of resources of the Company and applied methods (means) to ensure the safety of the Company's assets;

22. Service, in accordance with its tasks, under the established procedure, performs the following functions:

- 1) assessment of risks and adequacy and effectiveness of internal control over risks in the area of corporate governance, operating (operating and financial) activity of the Company and its information systems, in part:
  - achieving the strategic objectives of the Company;
  - accuracy, completeness, objectivity of the accounting system and reliability of financial statements and other information on financial and economic activities of the Company, including its consolidated figures;
  - efficiency and effectiveness of the Company's activities and adopted programs;

- rational and efficient use of resources of the Company and of the methods used (means) safeguarding property (assets) of the Company;
  - compliance of established monitoring systems with the requirements of legislation, regulatory acts, internal regulatory documents, instructions of authorized and supervisory bodies, decisions of the bodies of Company and their compliance (compliance control).
- 2) in the established order, carrying out assessment of adequacy and effectiveness of internal control system in the Company;
  - 3) in the established order, carrying out assessment of corporate risk management system in the Company;
  - 4) evaluation of the risk of committing fraud and fraud risk management efficiency in the Company<sup>3</sup>;
  - 5) evaluation of the completeness of application and effectiveness of the methodology of risk assessment and risk management procedures in the Company;
  - 6) evaluation of the effectiveness of obtaining by relevant bodies and divisions of information of the Company on issues related to risk management and internal control;
  - 7) in the established order, carrying out assessment (diagnostic) of corporate governance of the Company, including the assessment of the implementation of and compliance with accepted principles of corporate governance, appropriate ethical standards and values of the Company;
  - 8) in the established order, carrying out audit of Company's information systems;
  - 9) checking compliance with legislation of Republic of Kazakhstan, international agreements, internal documents of the Company and following the instructions of authorized and supervisory bodies, decisions of the bodies of Company and evaluation systems, established in order to comply with these requirements;
  - 10) assessment of the adequacy of the measures applied by units of the Company to ensure the achievement of their goals, within the framework of the strategic objectives of the Company;
  - 11) development of internal regulations governing the activities of the Service in accordance with the requirements of the Standards and the decisions / recommendations of the Fund;
  - 12) providing advice to the Board of Directors, the Executive Body and the structural units of the Company on the organization and improvement of internal control, risk management, corporate governance and internal audit (including development of internal regulatory documents and projects in these areas), as well as on other issues, within the competence of the Service;
  - 13) conducting unscheduled audits, initiated by the Chairman or Board of Directors' members, on the basis of the relevant decisions of the Board of Directors;
  - 14) monitoring of the execution by Company of the recommendations of the external auditor;
  - 15) implementation of follow-up control over implementation of the recommendations of the Service, issued in the established order;
  - 16) exchange of information and coordination of activities with other internal and external parties of the Company, providing services in providing assurance and consulting;
  - 17) performs other functions assigned to the Service within its competence. <sup>4</sup>

---

<sup>3</sup> In this case, detection and investigation of fraud is not the main function of the Service. Service's employees may be involved in investigations of fraud as consultants / observers, and are not responsible for making management decisions based on the results of investigations.

<sup>4</sup> Tasks and functions of the Service may be supplemented taking into account the specifics of the Company's activities and in compliance with the requirements of the Standard, as well as to meet the requirements of supervisory authorities that regulate the Company's operations.

23. Based on the results of the audit, Service generates appropriate recommendations, including proposals for improving existing systems of internal control and risk management processes, principles and methods of doing business, and comments on any matters within the competence of the Service.

24. Service, in the implementation of the tasks and functions, interacts in the prescribed manner with all divisions of the Company, as well as with other organizations in accordance with the legislation of the Republic of Kazakhstan.

## **5. Restrictions on the activities of the Service**

25. In order to comply with the principles of independence and objectivity in the performance of its functions and Head of the Service shall not:

- 1) be involved in any activities that may subsequently be subjected to internal audit and be engaged in audit of activities or functions carried out by them during the period that is subject to audit.
- 2) perform functional duties in the Company that are not related to the activities of the Service in accordance with these Regulations;
- 3) be engaged in any activity that could harm the impartiality of evaluation by Head and employees of the Service or seen as inflicting such damage;
- 4) be included in the composition of committees or other working groups / commissions created by the Company, as authorized signatory member. Head and employees of the Service shall be involved in work of these working groups, only in an advisory capacity, without voting rights.
- 5) guide the actions of employees of structural units of the Company, except in cases when the employees are appointed, in the prescribed manner, to participate in the audit task;
- 6) use confidential information for personal benefit or in any other manner, inconsistent with the legislation of the Republic of Kazakhstan or in the way that can cause damage to the Company;
- 7) accept gifts and use the services, as a result of which, a damage can be caused to independence, objectivity and impartiality of the internal audit, or which may be perceived as causing such damage.

## **6. Qualification requirements.**

26. Head of Service shall have<sup>5</sup>:

- 1) higher professional education in the fields of accounting and auditing, and / or finance and / or economics and / or law and additional specialized training;
- 2) experience in auditing and / or accounting and / or finance - at least seven years;
- 3) experience in a managerial position and / or experience in the internal audit of the Fund's group of companies - at least five years (or a total of not less than five years with experience in a managerial

---

<sup>5</sup>Head of Service appointed prior to the approval of requirements set forth in paragraphs 27 and 28 in the part of additional specialized training, shall provide for receipt of one of the indicated certificates in the next 2-3 years from the start of training.

position for at least two or three years, experience in the Service of the internal audit of Group of the Fund for at least two to three years);

4) knowledge and understanding of the Code of Ethics and Standards;

5) knowledge of international financial reporting standards;

6) knowledge of regulatory legal acts of the Republic of Kazakhstan, including on issues of auditing, accounting, tax.

27. Head of the Company's Service must meet the following minimum requirements in terms of additional special training: <sup>6</sup> Obligatory presence of Accounting Practitioner certificate CAP (Certified Accounting Practitioner), and / or a professional accountant certificate issued by certification organization accredited by the authorized body of the Republic of Kazakhstan, and / or diploma of certified professional internal auditor (DipIFR), issued by the Institute of certified financial managers. Knowledge of English language is mandatory.

Knowledge of the state and other foreign (and) languages is also preferable.

28. The Service's employees shall have:

1) higher professional education in the fields of economy and finance, and / or accounting and auditing, and / or information technology, and / or a technical area and / or a legal area;

2) experience in auditing and / or accounting and / or finance and / or information technology and / or technical field, corresponding to the company industry specifics, and / or a legal area - at least 3 (three) years;

3) knowledge of the Code of Ethics and Standards and ability to apply them;

4) knowledge of the regulatory legal acts of the Republic of Kazakhstan, including on issues of auditing, accounting, tax.

Knowledge of English is mandatory. Certificate and / or qualification in auditing and / or accounting and financial management and / or IT technology, knowledge of the state and other foreign languages, is also preferable.

29. Appointment of the Head and employees of the Service is carried out by the Board of Directors upon the recommendation of the Audit Committee, if available, on the basis of competitive selection and testing (or interviews) with the participation of the Chairman of the Audit Committee or member of the Audit Committee (authorized by the Chairman of the Audit Committee) and / or the Chairman of the Board of Directors.

## **7. Rights and authorities of the Service**

30. Service, in order to implement main tasks and carry out its functions has the following rights and authorities:

1) access to the personnel, industrial and other facilities, to all documentation and any other information requested in connection with the internal audit, including, to the data and information constituting commercial and official secrets of the Company;

2) access to information database of accounting data (computer accounting software, etc.) on a regular basis in a passive mode, ie, without the right to enter and correct;

---

<sup>6</sup> By decision of the Board of Directors, Head of the Service of Company can be subject to minimum requirements in terms of additional special training provided for in paragraph 27.

- 3) request and receive materials, including draft documents, submitted for approval by the Fund, Board of Directors, Executive Body of the Company and receive all orders / minutes of the said bodies of the Company;
- 4) initiate additional audit task (unscheduled) with the consent of the Chairman of the Audit Committee, if available, in the absence - Chairman of the Board of Directors, if the need for it was revealed in the course of the current audit task and its performance effects on the current task results;
- 5) exchange information and coordinate activities with other internal and external providers of services for the provision of guarantees and consultations in order to ensure proper coverage and to minimize duplication of efforts;
- 6) for the development of the planned activities of the Service and perform certain tasks on behalf of the Board of Directors or the Chairman of the Board of Directors or the Chairman of the Audit Committee, with a view to obtaining advice on specialized issues, involve employees of the structural units of the Company as independent experts as well as professionals of other legal entities (except for those, who during the period previous to audit period calendar year, carried out activities or function in the object of audit);
- 7) conduct consultations and make written requests to the Fund, other organizations and structural units of the Company on matters within the competence of the Service;
- 8) engage in the prescribed manner, independent consultants or use co-sourcing to perform audit task, if the Service's personnel does not have sufficient knowledge and skills to perform the audit task or a part of the task, except for the cases when the audit task requires fraud risk assessment and assessment of the risk of fraud management;
- 9) engage, in consultation with stakeholders, to conduct IT audit, employees of the Service and IT specialists from other companies of the Fund's Group;
- 10) form and submit for consideration by the Audit Committee and / or the Board of Directors, Independent Budget of the Service<sup>7</sup>;
- 11) participate in the preparation and implementation of programs and projects of the Company in accordance with the competence and powers of the Service in compliance with the requirements of the Standard;
- 12) participate in programs for training, retraining and professional development of the Company employees and programs of certification of internal auditors;
- 13) exercise other rights and powers that do not contradict the legislation of the Republic of Kazakhstan, Company Charter, present Regulations and internal documents of the Company and Standards.

31. The Head of the Service has the following powers:

- 1) participate in meetings and activities, carried out by the Executive Body for the improvement of the internal control, risk management and corporate governance and other issues within the competence of the Service, without the right to approve the decisions of executive body;
- 2) directly apply to the Chairman and members of the Board of Directors and Audit Committee members of the Management Board of the Company on the activities of the Service;

---

<sup>7</sup> Independent budget of the Service is formed as a part of the Company's budget and includes expenditures claimed by Service for planning period for the items referred to internal regulatory documents, regulating the questions of formation and approval of the budget of the Service. The independence of budget of Service is understood as the absence of restrictions on the part of the executive body for the purpose of influencing the activities of the Service, except in cases where the applicable limitation is associated with the limits and guidelines set by the Board of Directors, Fund and the supervisory authorities.

- 3) make proposals to the Board of Directors to determine the quantitative composition, term of office of the Service, appointment of the employees of Service, as well as early termination of their powers, the order of the work of the Service, amount, terms of payment and bonuses of employees, organizational and technical support to the Service;
- 4) initiate the convening of the meeting of the Board of Directors and / or Audit Committee on issues within the competence of the Service;
- 5) ensure the interaction of the Service with other external parties that provide services to the Company on provision of guarantees;
- 6) make inquiries to state authorities and other legal entities on the activities of the Service;
- 7) carry out the rotation of duties of the Service in order to prevent conflicts of interest, as well as facilitate the exchange of experience (periodically or as appropriate);
- 8) exercise other powers stipulated by the Company's internal control system, and make decisions on all matters within the competence of the Service.

## **8. Responsibility of the Service and its Head.**

32. Service is responsible for the timely and quality performance of its functions and tasks, and compliance with standards of professionalism and professional attitude to work<sup>8</sup> in their activities and the Code of Ethics.

33. Employees of the Service, in accordance with established procedure, shall be personally responsible for the quality and timeliness of the execution of their functions, in accordance with the job descriptions, employment contracts and the laws of the Republic of Kazakhstan, as well as for compliance with the requirements of the Standards, Code of Ethics and internal regulations governing Service's activities.

34. Employees of the Service are required to promptly inform the Head of the Service about any situations related to the presence or potential for violations of the independence and / or objectivity of the internal auditor, which is expressed including in conflict of interest or limiting the powers of the internal auditor.

35. The Head of the Service, in accordance with established procedure, shall be personally responsible for the quality and timeliness of the performance of the functions and tasks assigned to the Service in accordance with these Regulations, the legislation of the Republic of Kazakhstan, the employment contract, job descriptions and other internal documents of the Company.

36. It is mandatory to include the following in the duties and responsibilities of Head of Service:

- 1) efficient management of the Service and ensure its usefulness to the Company in accordance with the criteria of efficiency and utility, established standards;
- 2) development of the Strategic Plan of the Service for the medium term;
- 3) ensuring the timely compilation, risk-based annual audit plan of the Service, monitoring its implementation and timely adjustment. The annual audit plan of the Service shall be submitted to the Audit Committee and the Board of Directors not later than on 1 of December of the year preceding the planned;
- 4) ensuring the development of internal documents of the Company and guidelines on internal audit and other documents related to the activities of the Service;
- 5) ensuring the application in the activities of the Service, of common basic principles and internal audit procedures approved (recommended) by the Sole Shareholder of the Company;

---

<sup>8</sup> Professional attitude to work does not mean infallibility of the internal auditors and the obligation to provide absolute guarantees of absence of irregularities or inconsistencies.

- 6) ensuring compliance of reports with the requirements of internal regulatory documents on organization of the Internal Audit and Standards;
- 7) bringing the results of conducted audit task to the persons who can provide their qualitative consideration;
- 8) development and implementation of Program on guarantee and improvement of the quality of internal audit, covering all activities of the Service and providing for internal and external evaluation of the Service;
- 9) taking organizational measures aimed at preventing potential and existing conflicts of interest and bias attitude to the object of audit by the Service or any of its employees in the planning and implementation of activities of the Service;
- 10) submission by deadlines established by these Regulations, to the Board of Directors and Audit Committee, reports on the activities of the Service;
- 11) planning and timely submission of issues of the Service, in the framework of the annual work plan of the Audit Committee and the Board of Directors;
- 12) exchange of information and coordination of activities of the Service with other internal and external providers of services on the provision of guarantees and consultations, in order to ensure proper coverage and to minimize duplication of efforts;
- 13) periodic evaluation of compliance defined by the Regulations, of certain functions, rights, powers and responsibilities of the Service to aims and objectives of internal audit and bringing the results of such assessment to the attention of the Audit Committee and the Board of Directors;
- 14) adoption of measures on improvement of the professional level of employees of the Service.

## **9. Imposition of penalties.**

37. For violation of labor discipline, failure to perform or improper performance of employment duties, by the decision of Board of Directors, Head and employees of the Service, can be subject disciplinary sanctions, in the prescribed manner.

38. Material liability of the Head and employees of the Service and the procedure for compensation of damage caused (if any), as well as the imposition of disciplinary sanctions procedures, is carried out in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Company.

## **10. Provision of information to Board of Directors, Audit Committee**

39. Every year until December 1 of the year preceding the planned year, the Service submits to the Audit Committee and Board of Directors, annual audit plan of Service for the next year. The Service ensures the execution of the approved annual audit plan and submission of report on its implementation within the framework of the report on the activities of the Service in accordance with terms established by these Regulations.

40. The Service provides the Board of Directors and Audit Committee, reports on the activities of the Service in the following terms<sup>9</sup>:

- 1) quarterly - not later than the 25th day of the month following the reporting quarter;
- 2) annual - not later than the 15th day of the second month following the reporting year.

---

<sup>9</sup> Chairman of the Board of Directors or the Chairman of the Audit Committee in order to ensure appropriate consideration of the report on activities of the Service may set requirements for the presentation of reports on the completed audit tasks, within the time limits established by the annual audit plan or other terms, preceding consideration of the quarterly reports. This requirement should be reflected in the internal regulatory documents governing the activities of the Service, including the Regulations on the Service.

41. Reports on the activities of Service, are provisionally considered by the Audit Committee (if any) with recommendations to the Board of Directors. In the absence of the Audit Committee, reports on the work are reviewed by the Board of Directors.

42. Reports prepared by the Service as a result of audit tasks and pointing to the case of illegal actions (inaction) of the employees of the Company and / or the Executive Body shall be submitted to the Audit Committee and the Board of Directors immediately after audit.

43. Head of Service should carry out analysis of information submitted to the Board of Directors and Audit Committee for its completeness and accuracy.

44. Audit reports and activities reports of the Service are drawn up in accordance with the internal regulations governing the issues of the internal audit organization.

45. Audit Committee and Board of Directors consider the reports on activities of the Service and make decisions in accordance with the established rules of operation and powers of the Audit Committee and the Board of Directors.

46. Head of the Service must regularly provide to the Board of Directors, information on the implementation by the Executive body of the coordination and supervision of other supervisory and control functions (risk management, internal control, security, business continuity, external audit, and others.).

47. Head of the Service provides timely information to the Audit Committee of any situations involving the presence or the potential for violations of the independence and / or objectivity of the internal auditor, which is expressed, inter alia, in the form of a conflict of interest or the restriction of the rights and powers of the Service.

### **11. Interaction of the Service with Executive Body.**

48. Relationship of the Service with the Executive body shall be based on the principle of independence, as the level of organizational and functional independence of the Service has a direct impact on the objectivity of the internal auditors.

49. The Service, based on the results of its activities, submits to the Executive Body, assessment of quality of implementation of administrative decisions taken by the Heads of various levels of Company.

50. Within the framework of cooperation with the Executive Body, Service:

- 1) generates an annual audit plan based on the proposals of the Executive Body for the audit and the provision of consultations;
- 2) provides to the Executive Body, annual audit plan approved by the Board of Directors, for information purposes;
- 3) provides the Executive Body, audit report / conclusion, prepared under the results of the audit task or consulting activities;
- 4) discusses and makes proposals to the Executive Body on the improvement of the internal control, risk management and corporate governance.

51. The Executive Body shall:

- 1) provide for the creation of effective internal control environment in the Company, promoting the full and unimpeded execution of functions by Service, achievement of goals and objectives and maximizing the use of the Service to the Company;
- 2) assist the Service in attracting employees of structural units of the Company as independent experts for consultation on specialized issues;
- 1) ensure timely consideration of reports of the Service, development and adoption of action plan for the implementation of the accepted recommendations of the Service and provision of reporting on their implementation;
- 2) in the prescribed manner, ensure the inclusion in the budget of the Company, budget of Service approved / confirmed by the Audit Committee/ Board of Directors;
- 3) by decision of the Board of Directors, in accordance with established procedure, ensure the use of co-sourcing of any activity in the field of internal audit;
- 4) provide administrative (organizational and technical) support to the Service.

52. It is not allowed for Executive Body to intervene in the activities of the Service.

## **12. Evaluation of the activities of the Service.**

53. Evaluation of the activities of Service is carried out to ensure that the activities of the Service comply with Definition of Internal Audit, Standards, Code of Ethics, as well as to determine the efficiency and effectiveness of the internal audit and identify opportunities for improvement.

54. The procedure and requirements for the evaluation of the activities of Service, its Head and employees shall be established by the internal regulatory documents of the Service to meet the requirements of the Standards, guidelines and standards established by the Corporate Standards of Fund in the field of assessment of the effectiveness of Service<sup>10</sup>, as well as internal regulatory documents of the Company, regulating the issues of the evaluation of the activities of Company's employees.

55. Internal regulatory documents of the Services provide for:

- 1) procedure for assessment of the Service for the compliance of its activities to Definition of Internal Audit, Code of Ethics and Standards (assurance program and improvement of the quality of internal audit), which includes internal and external assessment of the activities of the Service;
- 2) procedure for evaluation of efficiency of activities of the Service, its Head and employees as part of their performance of goals and objectives, established by these Regulations, annual audit plan and strategic plan of the Service.

56. External (independent evaluation) of activities of the Service is carried out at least once every five years by independent external expert or as a self-assessment with independent external confirmation.

---

<sup>10</sup> The requirements of the Fund to the procedure on conducting evaluation of activities of the Service to the Standards, as well as to the procedure for assessment of the effectiveness of Service set out respectively in Section 2.3 and section 4.7 of the Methodological Recommendations on the organization of internal audit in joint-stock companies, with more than fifty percent of voting shares directly or indirectly owned by JSC "Samruk-Kazyna".

### **13. Final provisions.**

57. Changes and additions to the Regulations may be made by decision of the Board of Directors, on the recommendation of the Audit Committee of the Board of Directors, if available.