

Approved by  
Decision of the Board of Directors  
NAC Kazatomprom JSC  
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**Regulation  
on Internal Audit Committee  
of the Board of Directors of NAC Kazatomprom JSC**

**Astana  
2018**

**CONTENT:**

**SECTION 1. GENERAL PROVISIONS**

- 1. Regulation on the Committee**
- 2. Duties of the Committee**
- 3. Competences of the Committee**

**SECTION 2. RIGHTS AND RESPONSIBILITIES OF THE COMMITTEE MEMBERS**

- 4. Rights of the Committee Members**
- 5. Responsibilities of the Committee and its members**

**SECTION 3. BODY FORMATION ORDER**

- 6. Composition and formation of the Committee**
- 7. Chair of the Committee**

**SECTION 4. ORGANIZATION OF WORK OF THE COMMITTEE**

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 2
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**Section 1. General Provisions**  
**Chapter 1. Regulation on the Committee**

1. This Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC (hereinafter – “Regulation”) defines the status, competence, composition, work procedure and duties of Internal Audit Committee of the Company’s Board of Directors, procedure for convening and conducting the meetings, formalizing the decisions, as well as the rights and obligations of members of Internal Audit Committee.

2. Terms and definitions used in this Regulation:

**the Law** – the Law of the Republic of Kazakhstan "On Joint-Stock Companies";

**The Law on the Fund** – the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund”;

**Fund** – Joint Stock Company “Sovereign Wealth Fund “Samruk-Kazyna”;

**Company** – NAC Kazatomprom JSC;

**Regulation** – regulation on Internal Audit Committee of the Board of Directors of the Company;

**Leadership of the Company** – CEO and members of executive body of the Company.

**Compliance control** - control of compliance of the Company activity with requirements of legislation, professional practice and ethics in order to minimize or prevent risks related to application of sanctions both by the Government and the clients of the Company resulted from failure to comply with the requirements of legislation, internal documents, procedures and other standards.

3. The Regulation is an internal document of the Company and has been developed in accordance with the Law, Articles of Association, Corporate Governance Code and other internal documents of the Company.

4. Internal Audit Committee is an advisory body of the Board of Directors of the Company and is established for in-depth study of issues falling within the competence of the Board of Directors or reviewed by the Board of Directors in order to monitor the activities of the executive body of the Company and develop the necessary recommendations to the Board of Directors and executive body of the Company.

5. Internal Audit Committee reports to the Board of Directors of the Company, operates within the authorities given by the Company’s Board of Directors and this Regulation.

6. In its activities, the Internal Audit Committee is guided by the laws of the Republic of Kazakhstan, Articles of Association of the Company, decisions of the

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 3
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Sole Shareholder of the Company, Regulation on the Board of Directors of the Company, this Regulation and other decisions of the Board of Directors.

## **Chapter 2. Duties of the Committee**

7. Internal Audit Committee performs the following duties in the prescribed manner:

- 1) On the issues of financial statements:
  - a) Discusses with the Company's leadership and external auditor financial statements, reasonableness, and acceptability of applied principles of financial statements, significant estimated indicators in the financial statements and significant adjustments to the statements;
  - b) Discusses with the Company's leadership, external and internal auditors the proposed (assumed) changes to the Company's Accounting Policy and how these changes will affect the content of the statements;
  - c) Considers any significant disagreements between the external auditor and the Company's leadership on the Company's financial statements;
  - d) Preliminarily approves the Company's Accounting Policy;
  - e) Preliminarily approves the annual financial statements of the Company.
  
- 2) On the issues of internal control and risk management:
  - a) Analyses the reports of external and internal auditors on the state of internal control and risk management systems;
  - b) Analyses the effectiveness of tools of the Company's internal control and risk management systems, and makes proposals on the above and related issues;
  - c) Monitors the implementation of recommendations of internal and external auditors in relation to the internal control and risk management systems;
  - d) Holds regular meetings with the Company's leadership to consider material risks and issues of control; relevant Company's risk management and internal control plans;
  - e) Preliminarily approves the Company's policies and procedures for internal control and risk management systems;
  - f) Analyses the results and quality of implementation of the measures developed by the Company (corrective actions) to improve the internal control and risk management system;
  - g) Preliminarily approves the Risk Register and Risk Map of the Company;
  - h) Preliminarily approves the level of risk appetite and risk limits, prepares reasonable recommendations for the Board of Directors on risk appetite and effective actions for the main risks;
  - h) Monitors risks associated with sustainable development, identifies and evaluates them;

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 4
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3) On the issues of external audit:

a) Studies issues on the appointment and change of the external auditor of the Company and prepares recommendations on this matter;

b) Ensures receipt from the external auditor of the list of all related services that the external auditor provides (plans to provide) to the Company and discusses it with the external auditor. Evaluates how related services are compatible with independence of the auditor. Recommends the Board of Directors of the Company to take measures to ensure the independence of the external auditor;

c) Preliminarily approves the receipt of related services from the external auditor;

d) Preliminarily approves the essential terms of the draft agreement (contract) with the external auditor to audit the annual financial statements of the Company;

e) Discusses with the external auditor how the proposed plan and scope of the audit meets the needs of shareholders and the Board of Directors of the Company;

f) Considers, together with the external auditor, the results of annual and intermediate audits, including the information of the Company's leadership on the results of audits;

g) At least once every six months holds meetings with the external auditor without the participation of representatives of the Company's leadership.

h) Assesses the external audit process through monitoring of fulfilment of the audit plan.

4) On the issues of internal audit:

a) Supervises the activities of the Internal Audit Service;

b) Makes proposals to the Board of Directors on the number of members, term of office of the Internal Audit Service, appointment of a leader and employees, termination of their powers and procedure of work of the Internal Audit Service;

c) Makes proposals to the Board of Directors on the size and terms of remuneration and bonuses and qualification requirements for employees of the Internal Audit Service;

d) Preliminarily approves the regulation on Internal Audit Service, policy and procedure of internal audit and other documents regulating the activities of the Internal Audit Service, as well as amendments and supplements to them, ensures the independence of the Internal Audit Service from the Company's leadership;

e) Preliminarily approves the candidatures for leaders and employees of the Internal Audit Services in subsidiaries and affiliated companies of the Company, and provides the proposals on early termination of their powers, in case when the boards of directors and audit committees are not available;

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 5
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f) Preliminarily approves internal audit policies and procedures of subsidiaries and affiliates of the Company in case when their Boards of Directors and Audit Committees are not available;

g) Preliminarily approves the risk-oriented annual internal audit plan and budget (cost estimate) of the Internal Audit Service;

h) Preliminarily approves the regular reports of the Internal Audit Service, constituting generalized results of work and most significant audit comments;

i) Considers the issue of existing constraints that impede the Internal Audit Service to effectively perform the tasks and contributes to elimination of such constraints;

j) At least once a quarter holds meetings with the leader of the Internal Audit Service without the participation of representatives of the Company's leadership;

l) Conducts a preliminary assessment of the activities of the Internal Audit Service;

m) Initiates independent audits (assessments) of the issues of interest by the Internal Audit Service, where necessary;

n) If the Company's executive body needs an independent audit (assessment) of the issue of interest by the Internal Audit Service, the leader of the Company's executive body will contact the Internal Audit Committee to obtain prior permission for an independent audit (assessment).

5) On the issues of compliance with the legislation:

a) Evaluates the effectiveness of the Company's internal procedures envisaged to ensure compliance with the legislation by the Company;

b) Receives and studies reports of authorized bodies (including tax bodies), external and internal auditors, the Company's leadership, on the issues of compliance with the law;

c) Makes proposals on the hotline through which the employees of the Company can confidentially or anonymously address the information about alleged violations of the law or abuse, including those relating to the completeness and accuracy of financial statements, as well as proposals on how to review and respond to such appeals;

d) Preliminarily approves the procedures for confidential reporting on violations regarding the preparation of financial statements, internal control, risk management and ethical issues.

6) On the issues of compliance:

a) Supervises the activities of the Compliance Service;

b) Makes proposals to the Board of Directors on the number of members, the term of office of the compliance service, the appointment of a leader and employees, early termination of their powers and procedure of work of Compliance Service;

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 6
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c) Makes proposals to the Board of Directors on the amount and conditions of remuneration and bonuses and qualification requirements for employees of Compliance Service;

d) Preliminarily approves the regulation on Compliance Service, compliance policies and procedures and other documents regulating the activities of Compliance Service, as well as amendments and supplements to them, ensures the independence of Compliance Service on the Company's leadership;

e) Preliminarily approves the annual work plan and the budget (cost estimate) of Compliance Service;

g) Preliminarily approves regular reports of Compliance Service, representing generalized results of work and the most significant comments;

h) Considers the issue of existing constraints that impede the Compliance Service to effectively perform the tasks, and contributes to elimination of such constraints;

i) At least once a quarter holds meetings with the leader of Compliance Service without the participation of representatives of the Company's leadership;

j) Conducts a preliminary assessment of the activities of Compliance Service;

k) Initiates independent audits (assessments) of issues of interest by Compliance Service, where necessary;

If the Company's executive body needs an independent audit (assessment) of the issue of interest to be carried out by Compliance Service, the leader of the Company's executive body will contact the Internal Audit Committee to obtain prior permission to carry out an independent audit (assessment).

#### 7) Reporting:

a) On a regular basis, but at least once a year, reports to the Board of Directors on its activities;

b) Prepares the information on the results of the Audit Committee work to be included in the report of the Board of Directors and to be disclosed in the report to the Sole Shareholder of the Company.

#### 8) Other obligations:

a) Develops, as necessary, recommendations to the Board of Directors for conducting special investigations (inspections), including those with the involvement of independent consultants (experts);

b) Analyses and summarizes the cases of fraud and assesses the adequacy of measures taken by the executive body of the Company to prevent fraud in the future;

c) On the instruction of the Board of Directors, performs other duties related to the competence of the Committee.

d) Monitors sustainable development risks and quality of non-financial information and reporting, including integrated annual reports.

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 7
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### **Chapter 3. Competence of the Committee**

8. Internal Audit Committee operates in the interests of the shareholder(s) of the Company; the work of the Committee is aimed at providing assistance to the Board of Directors of the Company by developing recommendations on:

1) Establishment of an effective system of control over the financial and economic activities of the Company (including the completeness and accuracy of the financial statements);

2) Control over the reliability and efficiency of internal control and risk management systems, as well as over the execution of documents in the field of corporate governance;

3) Control over the independence of external and internal audit, as well as the process of ensuring compliance with the laws of the Republic of Kazakhstan;

4) Other issues in accordance with the requirements of this Regulation.

9. Obligations of the Internal Audit Committee also comprise the issues of compliance control.

## **Section 2. RIGHTS AND RESPONSIBILITIES OF THE COMMITTEE MEMBERS**

### **Chapter 4. Rights of Committee members**

9. A member of the Internal Audit Committee shall have the right to perform the following in the established manner:

1) Request and receive from the officials and employees of the Company any information (documents, materials) regarding the Company, if the specified information is required to perform the functions of a member of the Audit Committee;

2) Hold meetings with external and internal auditors without the participation of representatives of the Company's leadership;

2-1) Participate in the tender committee of the Company for the selection of the external auditor of the Company;

3) Initiate or conduct any investigations on matters within the competence of the Internal Audit Committee as determined by this Regulation;

4) Familiarize with the minutes of the meetings and decisions of the Internal Audit Committee and audit reports;

5) Require the inclusion of their own special opinions on the agenda items and decisions taken into the minutes of the Internal Audit Committee meetings;

6) Require the convening of a meeting of the Internal Audit Committee;

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 8
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- 7) Put questions to the agenda of the Audit Committee meeting;
- 8) Exercise other rights stipulated by the current legislation of the Republic of Kazakhstan, Articles of Association of the Company and other internal documents of the Company.

## **Chapter 5 Responsibilities of Committee Members**

10. A member of the Audit Committee is liable to the Company and the Sole Shareholder for the harm caused by his/her actions (inaction), in accordance with the legislation of the Republic of Kazakhstan, including the losses incurred as a result of providing misleading or false information.

### **SECTION 3. BODY FORMATION ORDER**

#### **Chapter 6. Composition and formation of the Committee**

10. It is a competence of the Company’s Board of Directors to determine the number of Committee’s members, term of powers of the Internal Audit Committee, election of the Committee’s Chair and the members as well as early termination of their powers.

11. The Internal Audit Committee is formed from the members of the Company’s Board of Directors and experts who have necessary expertise to work in the Committee.

12. Internal Audit Committee consists of at least three members, including an independent director(s). The Chair of the Internal Audit Committee is elected from independent directors. The Chair of the Company’s Board of Directors shall not be elected as Chair of the Internal Audit Committee.

A member of the Board of Directors of the Company who is not an independent director, may be elected to the Internal Audit Committee if the Board of Directors of the Company exceptionally decides that membership of this person in the Audit Committee is necessary for the benefit of the Company and its shareholder(s). When this appointment occurs, the Board of Directors of the Company should disclose the nature of the director’s dependence and justify the decision on his/her acceptance to the Internal Audit Committee in a report to the sole shareholder.

13. As part of the Audit Committee, at least one of its members should have an extensive work experience relevant to education in the field of accounting and financial reporting and/or finance and/or auditing.

14. The Secretary of the Audit Committee is appointed by the decision of the Internal Audit Committee, and performs the functions of organizing the work and informing the Internal Audit Committee.

#### **Chapter 7. Chair of the Internal Audit Committee**

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 9
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15. The Chair of the Internal Audit Committee performs the following functions:

- 1) Organizes the work of the Internal Audit Committee;
- 2) Convenes meetings of the Internal Audit Committee and chairs them;
- 3) Keeps records at the meetings;
- 4) Prepares a report on the activities of the Internal Audit Committee and reports to the Board of Directors on the results of such activities at regular Board of Directors meetings.

16. In the absence of the Chair, his functions are performed by one of the members of the Internal Audit Committee on the decision of the Internal Audit Committee.

#### **Section 4. ORGANIZATION OF WORK OF THE COMMITTEE**

17. Internal Audit Committee holds regular in-presentia meeting on participation of the Head of Internal Audit Committee and Head of Risk Management Block at least once a quarter, and irregular meetings - as necessary. Internal Audit Committee chooses the format of the meeting based on the importance of the issues addressed. Internal Audit Committee annually draws up and approves the work plan of the Internal Audit Committee.

The agenda of the meeting of the Internal Audit Committee is prepared and circulated by the Secretary of the Committee to all Committee members and interested parties at least 7 (seven) calendar days before the planned date of the meeting. A meeting of the Internal Audit Committee is considered valid if there is a Quorum - at least half of members of the Audit Committee.

A meeting of the Internal Audit Committee may be convened on the initiative of its Chair or on the request of:

- 1) Any member of the Internal Audit Committee;
- 2) Shareholder;
- 3) Internal Audit Service;
- 4) Compliance Service.

If the Chair of the Internal Audit Committee refuses to convene a meeting, the initiator has the right to address this request to the Board of Directors of the Company, which is obliged to convene a meeting of the Internal Audit Committee.

The meeting of the Internal Audit Committee is held with the obligatory invitation of the person who has addressed the above requirement.

Meetings of the Internal Audit Committee are held only in person.

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 10
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Each Committee member is obliged to attend at least 75 (seventy-five) % of the Committee meetings per year. The absence of Committee members at meetings is taken into account and the relevant measures can be taken.

18. The decisions are made by a simple majority of votes of participating Committee members. In case of equality of votes, the Chair of the Audit Committee shall have the right to vote.

In the exceptional cases, depending on the priority and importance of the issues addressed, it is allowed that a member of the Internal Audit Committee takes part in the in-person Committee meeting, if there is a quorum, through a video conference (interactive audiovisual communication), conference call (simultaneous conversation through the telephone), or other means of communication. In such a case, the member of the Internal Audit Committee is considered to have participated in the in-person meeting.

At the same time, the type of communication used shall be indicated in the minutes of the Committee meeting.

19. Members of the Internal Audit Committee are obliged to attend in-person Committee meetings. Non-committee members may attend meetings only on the invitation of the Committee Chair. If necessary, the following persons may attend the meetings of the Audit Committee on the invitation of the Committee Chair:

- 1) Head of Internal Audit Service;
- 2) Head of Compliance Service;
- 3) Lead partner and/or other representatives of the external auditor;
- 4) Chief Executive Officer and other representatives of the Company, including the Chief Accountant, and representatives of the legal department of the Company;
- 5) Independent consultants (experts) engaged in the prescribed manner to obtain information on the issues on the agenda.

The Audit Committee holds at least three meetings with the external auditor prior to the issuance of the audit report as part of the audit process to discuss audit issues and observations.

20. Based on the results of each Audit Committee meeting, a protocol shall be drawn up no later than three working days after the meeting. The minutes shall be signed by the Chair of the Internal Audit Committee or by the person who chaired the meeting, as well as by Secretary of the Committee, who are all responsible for the correctness and the content of the minutes of the protocol.

The Secretary of the Internal Audit Committee shall keep the minutes of the Internal Audit Committee meetings.

CS	Regulation on Internal Audit Committee of the Board of Directors of NAC Kazatomprom JSC	p. 11
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