

**APPROVED BY**  
**the resolution of the Board of Directors**  
**of JSC NC “KazMunayGas” dated**  
**March 1, 2011**  
**(Minutes №1, Annex 15)**  
(updated by resolution of the Board of  
Directors dated September 23, 2015 (Minutes  
13/2015), May 25, 2016 (Minutes 7/2016),  
November 30, 2017 (Minutes 16/2017) and  
January 25, 2018 (Minutes 1/2018))

## **REGULATION ON THE AUDIT COMMITTEE** **of the Board of Directors of JSC NC “KazMunayGas”**

### **1. General provisions**

1. This Regulation on the Audit Committee of the Board of Directors of JSC NC “KazMunayGas” defines the status, competence, membership, work procedure and functions of the Audit Committee of the Board of Directors of KMG, the procedure for convoking and holding its meetings as well as rights and responsibilities of members of the Audit Committee.

2. Terms and definitions used in the Regulation:

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

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

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

**KMG** – Joint-Stock Company “National Company “KazMunayGas”;

**Audit Committee** – the Audit Committee of the Board of Directors of KMG;

**Regulation** – Regulation on the Audit Committee of the KMG Board of Directors;

**Top Management of KMG** – Chairman and members of the Management Board of KMG.

3. The Regulation is a KMG’s internal document which was developed in line with the Law, the KMG Charter, Corporate Governance Code and other internal documents of KMG.

4. The Audit Committee is an advisory body of the KMG Board of Directors; it was created for consideration of the most important issues and preparation of recommendations to the Board of Directors and to the executive body of KMG, within its competence defined by this Regulation.

5. The Audit Committee reports to the KMG Board of Directors and acts within its powers granted by the KMG Board of Directors and this Regulation.

6. In its activities the Audit Committee shall be guided by the legislation of the Republic of Kazakhstan, the Charter of KMG, resolutions of the entity holding all the voting shares of KMG – Joint Stock Company Sovereign Wealth Fund “Samruk-

Kazyna” (hereinafter – the Shareholder), the Regulation on the Board of the Directors, this Regulation, and other resolutions of the KMG Board of Directors.

## **2. Competence of the Audit Committee**

7. The Audit Committee acts in the interests of the shareholder of KMG and its work is aimed to assist the KMG Board of Directors through elaboration of recommendations on:

- 1) development of the efficient system to control financial and economic activities of KMG (including completeness and authenticity of financial statements);
- 2) control over reliability and efficiency of internal control and risk management systems, as well as over execution of documents in the area of corporate governance;
- 3) control of independence of external and internal audits and compliance with the legislation of the Republic of Kazakhstan;
- 4) other issues in line with the requirements of this Regulation.

## **3. Rights of members of the Audit Committee**

8. A member of the Audit Committee in accordance with the established procedure has the right to:

- 1) require and receive any information (documents, materials) from officials and employees of KMG with respect to KMG, if such information is necessary for him/her to perform functions of a member of the Audit Committee;
- 2) hold meetings with external and internal auditors without participation of representatives of the KMG top management;
- 3) initiate or conduct any investigations on issues, which are within the competence of the Audit Committee as defined by this Regulation;
- 4) familiarize with minutes of meetings and resolutions of the Audit Committee and audit conclusions;
- 5) require inclusion of his/her special opinion on agenda items and resolutions into minutes of meetings of the Audit Committee;
- 6) require convocation of a meeting of the Audit Committee;
- 7) include items into the agenda of a meeting of the Audit Committee;
- 8) exercise other rights specified in the legislation of the Republic of Kazakhstan, the Charter and other internal documents of KMG.

## **4. Membership, election and term of powers of the Audit Committee**

9. Determination of a quantitative membership, a term of powers of the Audit Committee, election of its Chairman and members and early termination of their powers refer to the competence of the KMG Board of Directors.

10. The membership of the Audit Committee shall be formed out of members of the KMG Board of Directors and experts having necessary professional knowledge for work in the Audit Committee.

11. The Audit Committee shall consist of at least three members, including independent director (-s). The Chairman of the Audit Committee shall be elected among independent directors. Non-independent member of the Board of Directors can be elected as a member of the Audit Committee if the KMG Board of Directors on exceptional basis resolves that the membership of this person in the Audit Committee is needed in the interests of KMG and the Shareholder of KMG. When this appointment occurs, the KMG Board of Directors shall disclose a nature of dependence of the director and justify a resolution on his/her nomination to the Audit Committee in the report to the Shareholder of KMG.

Representatives of the Shareholder of KMG – non-members of the KMG Board of Directors – are not recommended to be included as members to the Audit Committee. In case of their inclusion into the membership of the Audit Committee, the KMG Board of Directors shall justify the resolution on their inclusion into the Audit Committee in the report to the Shareholder of KMG.

12. Among the members of the Audit Committee at least one must have a long-term experience relevant to the education in accounting and elaboration of financial statements and/or finance and/or audit.

13. The Audit Committee appoints by its resolution an Audit Committee's secretary which exercises his/her functions in organizational and information support to the Audit Committee.

## **5. Chairman of the Audit Committee**

14. The Chairman of the Audit Committee performs the following functions:

1) to arrange work of the Audit Committee;

2) to convene meetings of the Audit Committee and chair them;

3) to arrange minutes keeping;

4) to define the form of meetings of the Audit Committee.

5) approve of the agenda of a meeting of the Committee. At that the Chairman of the Committee shall independently decide whether an issue should be included into the agenda of the meeting of the Committee.

15. In case of absence of the Chairman, his functions shall be performed by one of members of the Audit Committee based on the resolution of the Audit Committee.

## **6. Work Procedure of the Audit Committee**

16. The Audit Committee holds regular meetings at least once a quarter and extraordinary meetings when necessary. The Audit Committee selects the form of meetings based on importance of issues to be considered. The Audit Committee annually drafts an action plan of the Audit Committee, which is approved by the Chairman of the Audit Committee.

Agenda of a meeting of the Audit Committee is prepared and sent by the secretary of the Audit Committee to all members of the Audit Committee and interested persons no later than two weeks prior to a planned date of the meeting. A meeting of the Audit Committee is considered as duly constituted and quorate - if at least half of members of the Audit Committee take part in the meeting.

A meeting of the Committee can be convened by the initiative of its Chairman or by request of:

- 1) any member of the Audit Committee;
- 2) the Shareholder;
- 3) the Internal Audit Service.

If the Chairman of the Audit Committee rejects to convene a meeting, the initiator of the above request has a right to apply to the KMG Board of Directors, which is obliged to convene a meeting of the Audit Committee.

Meetings of the Audit Committee are held with obligatory invitation of the person who gives the request.

17. Resolutions are made by a simple majority of votes of members of the Audit Committee, participating in the meeting. If the votes are equal, the Chairman of the Audit Committee has the casting vote.

In exclusive cases, depending on urgency and importance of issues to be considered, a member of the Audit Committee is admitted to participate in the in-person meeting of the Audit Committee upon the presence of quorum via video-conference (interactive audio & visual communication), conference call (simultaneous conversation of members of the Audit Committee in “phone meeting” mode), as well as with the use of other communication means. In this case a member of the Audit Committee is deemed as participated in the in-person meeting of the Audit Committee. At that the type of communications used shall be specified in the minutes of a meeting of the Audit Committee.

18. Members of the Audit Committee shall be obliged to participate in in-person meetings of the Audit Committee.

If necessary, meetings of the Audit Committee by invitation of the Chairman of the Audit Committee can be attended by the following persons:

- 1) Head of the Internal Audit Service;
- 2) Leading partner and/or other representatives of an external auditor;
- 3) Chairman of the Management Board and other necessary representatives of KMG including Chief accountant, as well as representatives of the legal subdivision of KMG;
- 4) Independent consultants (experts) – engaged in accordance with the established procedure – for receiving information on agenda items.

19. Based on the results of each meeting, the Audit Committee minutes are drafted no later than three working days upon the completion of the meeting. The minutes shall be signed by the Chairman of the Audit Committee or a person, who chaired a meeting and the secretary of the Audit Committee who bears responsibility for correctness and content of the minutes.

The secretary of the Audit Committee ensures the storage of minutes of meetings of the Audit Committee.

## **7. Functions of the Audit Committee**

20. The Audit Committee in accordance with the established procedure performs the following functions:

- 1) on financial reporting issues:
  - a) discusses with the top management of KMG and external auditors financial statements, justification and acceptability of the principles used for financial statements, substantial assessment indicators in financial statements and significant adjustments to them;

- b) discusses with the top management of KMG, external and internal auditors suggested (assumed) amendments to the KMG Accounting Policy as well as the fact how these changes will be reflected in the content of financial statements;
- c) considers any substantial discrepancies between opinions of external auditors and the top management of KMG as to financial statements of KMG;
- d) pre-approves the KMG Accounting Policy;
- e) pre-approves the KMG Annual Financial Statements.

2) on internal control and risk management issues:

- a) analyzes reports of external and internal auditors on status of internal control and risk management systems;
- b) analyzes efficiency of internal control and risk management system means and gives suggestions on these and allied issues;
- c) controls implementation of recommendations of internal and external auditors of KMG with respect to internal control and risk management systems;
- d) holds regular meetings with the top management of KMG for considering substantial risks and control problems as well as relevant plans of KMG in risk and internal control management;
- e) pre-approves policies and procedures of KMG regarding risk management and internal control systems;
- f) analyzes results and performance quality of activities (corrective actions) developed by KMG regarding improvement of internal control and risk management system;
- g) review the Risks Map;
- h) shall assist the Board of Directors of KMG with regard to the risks in the sustainable development

3) on external auditing issues:

- a) studies issues on the appointment and replacement of an external auditor of KMG and elaborates recommendations on this issue;
- b) ensures the receipt of all related services, which the external auditor provides (plans to provide) to KMG and discuss it with the auditor. Assess to what extent tying services of the auditor are compatible with the auditor's independence. Recommend the KMG Board of Directors to take measures ensuring independence of the external auditor;
- c) pre-approves receipt of related services from the external auditor;
- d) pre-approves substantial terms of a draft contract with the external auditor for auditing annual financial statements of KMG;
- e) discusses with the external auditor to what extent an offered plan and scope of audit meet needs of the Shareholder and the Board of Directors of KMG;
- f) jointly with the external auditor considers results of annual and interim audits including information on audit results of the top management of KMG;
- g) holds no less than once a half year meetings with the external auditor without participation of representatives of the top management of KMG;
- h) elaborate recommendations on the value of remuneration of an external auditor.

4) on issues of internal audit:

- a) supervises activities of the Internal Audit Service;
- b) makes suggestions on a number of members, term of powers of Internal Audit Service, appointment of its Head and employees and early termination of their powers and work procedure of the Internal Audit Service;
- c) makes suggestions to the Board of Directors on the amount and terms of labor remuneration and bonus payment to employees of the Internal Audit Service and qualification requirements to employees of the Internal Audit Service;
- d) pre-approves the Regulation on Internal Audit Service, policies, internal auditing procedures and other documents, regulating activities of the Internal Audit Service and amendments to them; ensures independence of the Internal Audit Service from the top management of KMG;
- e) preliminarily coordinates nominees to managers and employees of the Internal Audit Service in subsidiaries & affiliates of KMG and makes suggestions on early termination of their powers if subsidiaries and affiliates have no boards of directors and audit committees;
- f) pre-approves policies and procedures of internal audit of subsidiaries and affiliates of KMG if they have no board of directors and audit committees;
- g) pre-approves the annual audit plan of the Internal Audit Service, its organizational structure, manning table and budget (cost estimates);
- h) pre-approves reports of the Internal Audit Service, representing its performance results in consolidated format and the most significant audit comments;
- i) considers the issue of significant limitations preventing the Internal Audit Service from the efficient achievement of its goals and contributes to elimination of such limitations;
- j) holds at least once a quarter meetings with Head of the Internal Audit Service without participation of representatives of the top management of KMG;
- k) carries out preliminary performance evaluation of the Internal Audit Service;
- l) initiates independent audits (assessment) of issues of concern for the Internal Audit Service when necessary;

If the KMG Management Board requires the Internal Audit Service to carry out an independent audit (assessment) of the issues of concern, the Chairman of the KMG Management Board shall apply to the Audit Committee to obtain a prior permission for this independent audit (assessment).

5) on issues of compliance with legislation:

- a) assesses the efficiency of KMG internal procedures designed to ensure KMG is compliant with the legislation;
- b) receives and studies reports of authorized bodies (including tax agencies), external and internal auditors, the top management of KMG on the issues of compliance with the legislation;
- c) gives suggestions as per “hot line” operating procedure, through which KMG employees can confidentially or anonymously apply with the information on assumed violations of legislation or abuses including those concerning completeness and authenticity of financial statements as well as suggestions on the procedure for considering such applications and responding to them.

6) performance reports:

a) regularly but not less than once a year reports on its activities to the Board of Directors;

b) prepares the information on the Audit Committee activities' results for including it into the report of the Board of Directors and disclosing it in the report to the Shareholder of KMG.

7) other obligations:

a) when necessary develops recommendations to the KMG Board of Directors regarding special investigations (audits) including those with independent consultants (experts) engaged;

b) analyzes and summarize cases of fraud and assesses the adequacy of measures taken by the KMG Management Board regarding prevention of fraud in the future;

c) performs other obligations related to the competence of the Audit Committee by instruction of the KMG Board of Directors.

## **8. Liability of members of the Audit Committee**

21. A member of the Audit Committee shall bear responsibility towards KMG and the Shareholder of KMG for damages caused by his/her actions (or failure to act) in accordance with the legislation of the Republic of Kazakhstan including losses incurred as a result of dissemination of false or misleading information.