

**Approved by the Resolution of the
Management Board of JSC NC
“KazMunayGas”**

**Confirmed by the Resolution of the
Board of Directors of JSC NC
“KazMunayGas”**

**Minutes dated August 27, 2021
No. 29**

**Minutes dated September 9, 2021
No.14/2021**

JSC NC “KAZMUNAYGAS” POLICY FOR ENGAGING AUDIT ORGANISATIONS

1. PURPOSE OF THE DOCUMENT AND GENERAL PROVISIONS

This JSC NC “KazMunayGas” Policy for Engaging Audit Organisations (the Policy) was developed in accordance with Samruk-Kazyna JSC Policy for Engaging Audit Organisations approved by the Board of Directors of Samruk-Kazyna JSC No. 185 dated 27 May 2021, the Code of Ethics of the International Federation of Accountants, the Law of the Republic of Kazakhstan “On Auditing Activities”.

The policy is aimed at ensuring that the Auditor retains its independence status when providing JSC NC “KazMunayGas” (KMG) with audit and non-audit services, avoiding conflicts of interest, and introducing unified procedures for engaging the Auditor to provide non-audit services.

2. SCOPE OF APPLICATION

The Policy applies only to the provision of audit and non-audit services by the Auditor.

The main provisions stipulated by the Policy provide KMG with the opportunity for engaging the Auditor to provide certain audit and non-audit services without prejudice to the objectivity or the Auditor’s independence.

The KMG Group organisations develop their policies for engaging audit organisations by reference to the provisions of the Policy.

3. DEFINITIONS AND ABBREVIATIONS

The following definitions and abbreviations are used in the Policy.

Auditor

- an audit organisation that provides services for audit of the consolidated and separate financial statements of KMG, including reviews of the interim consolidated and separate financial statements of KMG

Audit organisation

- a commercial organisation founded to carry out auditing activities (audit organisations licensed to carry out auditing activities have the right to engage in auditing activities)

Auditing services	- services for the audit of the consolidated and separate financial statements of KMG, including the audit reviews of the interim consolidated and separate financial statements
KMG Group	- KMG and its subsidiaries of all levels
Subsidiary	- KMG organisation defined as a subsidiary in accordance with IFRS 10 “Consolidated Financial Statements”
Law	- the Law of the Republic of Kazakhstan “On Auditing Activities”
Sanau IS	- Sanau Information System designed to collect information on the costs of audit and non-audit services provided by audit organisations to KMG and its Subsidiaries of all levels
Code of Ethics for Professional Accountants	- a set of ethical requirements (ethics standards) for professional accountants issued by the Ethics Standards Board for Accountants of the International Federation of Accountants
Audit Committee	- Audit Committee of the KMG Board of Directors
Conflict of Interest	- a situation where the interest of the audit organisation can affect its opinion on reliability of the audited entity financial statements
Company	- KMG or a Subsidiary
Non-audit services	- services other than an audit and/or interim audit review of the separate and consolidated financial statements provided by the Auditor/Audit organisations
Business Unit in Charge	- KMG business unit responsible for accounting and financial statements

	preparation
Reporting year	- financial year from 1 January to 31 December
Reporting period	- period starting from 1 January to 31 March, from 1 January to 30 June, from 1 January to 30 September of the reporting year
Project	- the Auditor's audit of the consolidated and separate financial statements of KMG, including reviews of the interim consolidated and separate financial statements of KMG
Limit amount	- the estimated amount for each reporting year, which should not exceed the costs of non-audit services provided by the Auditor
Financial statements	- consolidated and/or separate financial statements

4. AUDITOR SELECTION

4.1. The main criteria that determine the choice of an audit organisation are:

1) Quality of services:

- high level of qualifications of the audit organisation specialists;
- work experience of the audit organisation specialists, both in the Kazakh and international markets;
- knowledge of the industry's business (the more clients the audit organisation has in a particular industry, the better it knows the challenges of this industry and the faster it finds the best options to deal with them);
- efficiency in the provision of services;
- the effectiveness of work on identifying shortcomings and providing recommendations for improving internal controls on the financial reporting process.

2) Service delivery approach:

- audit methodology and strategy applicable to the specifics and requirements of KMG;
- work coordination and controls;
- audit timing;
- approach to dealing with management and members of the Audit Committee;
- approach to interaction with internal audit services;
- approach and ways of solving complex and non-standard technical issues related to accounting;

- commitment to continuous improvement and enhancement of audit performance.

3) Project team competence:

- availability of qualifications and resources necessary to ensure quality and adherence to audit deadlines;

- industry experience, including hands-on experience in serving clients of a similar scale.

4) Audit organisation's compliance with international audit standards, the audit laws of the Republic of Kazakhstan, the Code of Ethics for Professional Accountants of the International Federation of Accountants;

5) Positive business reputation both in the Kazakh and international markets;

6) Duration of working time allocated for the provision of services and the cost of services;

7) Independence and lack of conflict of interest:

- potential conflicts and the approach to their resolution (including a description of work performed for direct competitors);

- commitment and approach to partner rotation and succession planning for project team members;

- description of the quality control system and customer satisfaction assessment.

4.2. The procedure for selecting the Auditor is carried out in accordance with the Rules for Selecting an Audit Organisation for Samruk-Kazyna JSC and organisations where fifty or more percent of voting shares (participation interests) are directly or indirectly owned or held in trust by Samruk-Kazyna JSC.

5. NON-AUDIT SERVICES CLASSIFICATION

5.1. The Auditor may provide certain non-audit services to the KMG Group. At the same time, KMG believes that the non-audit services provision and the service fee level may lead to a conflict of interest or an actual/perceived loss of objectivity of the Auditor.

5.2. KMG classifies potential non-audit services into the following categories:

Category A: non-audit services that may affect the independence when ensuring the current obligations of the Auditor and which must be provided by the Auditor in accordance with the requirements of the laws and regulations of the Republic of Kazakhstan, as well as another country where the Company is registered. Category A non-audit services are provided in compliance with the conditions stipulated by the Code of Ethics for Professional Accountants.

Category A non-audit services do not require compliance with the Limit Amount specified in Clause 5.5.

Category B: non-audit services that may affect the independence when ensuring the current obligations of the Auditor and which can be provided by the Auditor in accordance with the Law and in compliance with the conditions stipulated by the Code of Ethics for Professional Accountants. Category B non-audit services require compliance with the Limit Amount specified in Clause 5.5.

Category C: non-audit services that will lead to the loss of independence when ensuring the current obligations of the Auditor and are considered prohibited services in accordance with the Law and other restrictions provided for by the Code of Ethics for Professional Accountants.

5.3. To provide the KMG Group with non-audit services of Categories A and B, the Auditor must obtain permission from the Audit Committee.

In case of the non-audit services provision to a joint venture or an associate, the Auditor is not required to obtain permission from the Audit Committee, but is obliged to notify the Audit Committee of the non-audit services provision by sending an electronic message.

5.4. KMG will not engage an Auditor for Category C services provision.

5.5. The total cost of Category B non-audit services provided by the Auditor to the KMG Group for the current Reporting Year shall not exceed the Limit Amount calculated as 50% of the average cost of audit services provided by the Auditor to the KMG Group for three consecutive previous Reporting Years.

5.6. The Business Unit in Charge, on the basis of the data provided by the KMG Group in Sanau IS (Appendix 1), calculates the Limit Amount and approves it in due course with the Auditor for the application in the current Reporting Year no later than 1 April of the current Reporting Year.

6. LIST OF NON-AUDIT SERVICES BY CATEGORY

6.1. Category A non-audit services include the following:

- reporting as required by the competent or regulatory body in accordance with the legislation of the Republic of Kazakhstan;
- reporting as required by the legislation of the country of incorporation and location of a non-resident Company of the Republic of Kazakhstan;
- reporting on internal financial control when required by the legislation of the Republic of Kazakhstan or the country of incorporation and location of a non-resident Company of the Republic of Kazakhstan;
- reports required by the competent/regulatory authorities or provided to such authorities, if the competent/regulatory body has either designated an Auditor to provide the service, or has indicated to the Company that an Auditor should be selected to provide these services;
- services that should facilitate the Company in fulfilling the obligation required by the legislation of the Republic of Kazakhstan or the country of incorporation and location of the Company when: provision of such services is strictly limited in time, the subject of such services is price-sensitive, and, where possible, an impartial, fair and well-informed third party has concluded that the Auditor's understanding of the Company's activities obtained for the purpose of the audit of the financial statements is relevant to the service, and when the nature of the service will not challenge independence.

6.2. Category B non-audit services include the following:

- reporting on loan agreements (except for those required by law);
- services for the provision of extended audit procedures in terms of financial information / financial control, provided as instructed by the Company's management if this work is integrated with the audit services being provided and is performed under the same basic conditions;
- additional audit procedures in relation to the financial statements of significant Companies, provided as instructed by the KMG management or the Sub-Holding Company;
- services for the provision of analysis of changes in legislation or standards on accounting and auditing;
- tax consulting services;
- services in support of merger and acquisition transactions;
- audit and other services in relation to the Company's public reporting prepared under investment agreements and prospectuses;
- services for confirmation/preparation of reports or disclosure of information by the management of the Company under investment agreements or prospectuses;
- services for the confirmation of the Company's reports other than financial statements (environmental reporting, sustainable development reporting, etc.).

6.3. Category C non-audit services include the following:

- tax services related to the calculation of taxes, including deferred tax, and/or preparation of tax reporting forms;
- services for the support provision during tax authorities' inspections;
- services related to participation in the management or making managerial decisions of the Company;
- accounting and financial reporting services;
- services for the calculation and payment of wages to the Company's employees;
- services for the development and implementation of internal control or risk management procedures related to the preparation and/or control of financial information, or the development and implementation of financial information technology systems;
- valuation services, including actuarial or litigation obligations of the Company;
- legal services, including the services of a legal adviser, negotiating on behalf of the Company, protecting the interests of the Company in resolving legal disputes;
- compliance services;
- services related to the financing, structure and distribution of capital, as well as the investment strategy of the Company, except for the provision of audit services concerning financial statements, such as the issuance of letters of guarantee on securities prospectuses issued by the Company;
- services for promotion, trading or underwriting of the Company's shares;
- services for the search and testing of personnel for management positions that affect the accounting and financial reporting process of the Company;
- services to determine the organisational structure of the Company;

- services for the Company's costs control.

7. OBTAINING PERMISSION FOR NON-AUDIT SERVICES

7.1. If the Auditor is interested in providing the Company with non-audit services of Categories A and B, the Auditor shall send a request to the head of the Business Unit in Charge for permission to provide non-audit services (Appendix 2).

7.2. Upon receipt of the Request for permission to provide non-audit services, the Business Unit in Charge:

- checks the non-audit service classification (A, B or C categorisation);
- verifies that the Limit Amount is not exceeded;
- concludes that there is / there is no violation of the Auditor's independence;

7.3. Within 5 working days after the Request receipt, in accordance with the established procedure, the Business Unit in Charge sends the Information on the Request for permission to provide non-audit services to the Audit Committee (Appendix 3).

7.4. Within the timeframe and procedure established by the internal documents, the Audit Committee considers the Information on the Request for permission to provide non-audit services and makes a decision to permit / decline the Auditor to provide non-audit services.

7.5. The decision of the Audit Committee is sent by the Business Unit in Charge to the Auditor in due course after receiving the decision of the Audit Committee.

8. CONFLICT OF INTEREST IN PROVIDING AUDIT AND NON-AUDIT SERVICES

8.1. When carrying out the procurement procedure for audit services and when obtaining audit services, KMG should consider the possibility of challenges to the Auditor's independence due to:

- 1) the nature of the services previously received from the Auditor;
- 2) financial or business relationship with the Auditor during or after the period covered by the financial statements being audited.

If KMG does not or cannot take measures to eliminate the challenge to the Auditor's independence or reduce it to an acceptable level, KMG shall not receive audit services from the Auditor.

8.2. The Auditor is prohibited from providing audit services in cases stipulated by the Law.

8.3. Audit and non-audit services received by KMG from the Auditor must not violate the principles of objectivity and confidentiality as a result of:

- 1) the audit organisation having joint ventures or similar associations, in which most of the participants are KMG competitors;
- 2) the Auditor providing services to KMG and other organisations, whose interests are in conflict or which are in a state of disputes and discussions with each other on issues, operations or problems.

9. SUBMISSION OF AUDITOR INFORMATION TO THE AUDIT COMMITTEE

9.1. The KMG Group provides Sanau IS with the information on the costs of audit and non-audit services provided by Audit Organisations and reported in the statement of comprehensive income of the KMG Group. The information should be presented on an accrual basis from 1 January of the reporting year to the last day of the reporting period/year in the following terms:

9.1.1 for the Reporting Period - by the 10th day of the month following the Reporting Period,

9.1.2 for the Reporting Year - by 15 February of the year following the Reporting Year. At the same time, for the Reporting Year, the amounts of future expenses under the concluded contracts with Audit Organisations, which are subject to recognition in the statement of comprehensive income in the next 2 years after the Reporting year, are additionally provided.

9.2. The Business Unit in Charge checks the completeness and correctness of data provided by the KMG Group to Sanau IS, and verifies them with Audit Organisations.

9.3. By 20 March of the year following the Reporting Year, the Business Unit in Charge submits the following information, agreed with the head of the finance unit, to the Audit Committee for approval:

- 1) Information on non-audit services allowed to be provided by the Auditor for the Reporting Year (Appendix 4);
- 2) Information on audit and non-audit services provided by the Auditor for the Reporting Year (Appendix 5).

9.4. Information on non-audit services, approved by the Audit Committee and allowed to be provided by the Auditor for the Reporting Year, is sent by the Business Unit in Charge to the KMG Board of Directors for reference.

9.5. Information on audit and non-audit services provided by the Auditor, approved by the Audit Committee for the Reporting Year, is sent by the Business Unit in Charge to the KMG Business Unit in Charge for posting information on the corporate KMG's website within the time period established by the internal regulatory document of KMG on information disclosure.

9.6. Information on audit and non-audit services provided by the Auditor may be submitted to the Audit Committee more than once a year, based on the orders of the Audit Committee.

10. PROJECT PARTNER ROTATION

10.1. In accordance with the KMG's requirements, the Auditor must follow the principle of rotation of the Project Partner (primarily responsible for the audit) every five years.

10.2. The succession plan of the project partner must be prepared by the Auditor and submitted to the Audit Committee and the manager supervising the Business Unit in Charge for consideration at least one year before the rotation.

11. RECRUITING AUDITOR'S EMPLOYEES BY KMG

11.1 A Project Partner may be appointed (elected) to the position of a member of the Management Board, Head of the Finance Unit, Head of the Internal Audit Service or Chief Accountant of KMG only after two years, starting from the day when he/she ceased to be a Project Partner.

11.2 If a person who is supposed to be appointed (elected) for the position of a member of the Management Board, Head of the Finance Unit, Head of the Internal Audit Service or Chief Accountant of KMG participates or has taken part in the statutory audit of KMG as an employee of the Auditor within two years preceding the date of his/her appointment (election) in KMG, then, in order to avoid a conflict of interest, it is required to obtain the preliminary approval of the Audit Committee for the proposed candidate for further consideration of the issue of his/her appointment (election).

12. ANNUAL AUDITOR'S CONFIRMATION

12.1. At least once a year, the Auditor submits confirmation to the Audit Committee that:

- the independence of the Auditor has been preserved;
- the Auditor and its partners have no financial interests in KMG and its subsidiaries of all levels;
- members of the audit team involved in the Project have no financial interests in KMG;
- there are no other cases involving services between KMG and the Auditor, except for the cases stipulated by the Policy;
- no part of the fee payable by KMG to the Auditor is paid on an emergency basis;
- the total fee amount received or receivable by the Auditor on the basis of the concluded agreements did not significantly affect the financial independence of the Auditor from KMG or the KMG Group and did not exceed 15 percent of the total income of the Auditor in accordance with the Rules of Professional Conduct of the Association of Chartered Certified Accountants of the United Kingdom of Great Britain and Northern Ireland (the ACCA Rules of Professional Conduct);
- there are no disputes between KMG and the Auditor.

12.2. The Audit Committee confirms annually to the Board of Directors that the Auditor has given the confirmation referred to in Clause 12.1 of the Policy.

13. FINAL PROVISIONS

13.1 In case of certain provisions of the Policy contradicting the legislation of the Republic of Kazakhstan, the provisions of the Kazakh legislation shall be applied.

13.2 The Policy shall be assessed periodically for the relevance of the requirements set forth therein.

13.3 The Audit Committee, as necessary, considers issues of compliance with the requirements of the Policy involving the Internal Audit Service for these purposes, where possible.

Form
for Calculation of the Limit Amount for Non-Audit Services
For _____ (year)

	Last 3 years preceding the reporting year	The amount of actual expenses for audit services, thousand tenge
1	2	3
1		
2		
3		
	Total	
	Average amount for the year	
	Limit Amount (50% of the Average Amount for the year)	

Agreed:

Auditor

Form
for Request for Permission to Provide Non-Audit Services*

The name of the company for which the non-audit service is intended: _____

Company data as of the date of issue of the latest consolidated financial statements of KMG:

- total assets _____

- profit/(loss) before tax _____

(thousand tenge)

No. and date of Request for Permission to Provide Non-Audit Services	Name of the non-audit service	Detailed description of the non-audit service	Intended classification of the non-audit service (A, B, C)	Planned fee amount (fee amount in a currency other than tenge is converted at the exchange rate as of the date of the Request for Permission to Provide Non-Audit Services)	Analysis of independence in the provision of this service	Conflict of interest absence confirmation
1	2	3	4	5	7	8

* to be provided in Russian and English

Authorised person of the Auditor

Full name

signature

Form for Information on the Request for Permission to Provide Non-Audit Services

The name of the company for which the non-audit service is planned: _____

Company data as of the date of issue of the latest consolidated financial statements of KMG:

- total assets _____

- profit/(loss) before tax _____

(thousand tenge)

Auditor's data							Data of the Business Unit in Charge			
No. and date of Request for Permission to Provide Non-Audit Services	Name of the non-audit service	Brief description of the non-audit service	Planned fee amount (fee amount in a currency other than tenge is converted at the exchange rate as of the date of the Request for Permission to Provide Non-Audit Services)	Type of the non-audit service (A, B, C)	Analysis of independence in the provision of this service provided by the Auditor	Conflict of interest absence confirmation	The amount of actual costs for non-audit services provided by the Auditor*	Limit amount**	Non-audit costs (4+8) exceed / do not exceed the threshold (9) (exceeds / does not exceed)	Conclusion
1	2	3	4	5	6	7	8	9	10	11

*According to the data provided by KMG and its subsidiaries of all levels in the Sanau information system for 3, 6, 9 and 12 months of the year.

** The threshold value is 50% of the average cost of the audit and interim audit review of the financial statements of KMG and its subsidiaries of all levels for three consecutive previous reporting years.

Head of the finance unit

Name and surname

Agreed:

Chief Accountant

Name and surname

Form
for Information on Non-Audit Services Allowed to Be Provided by the
Auditor for _____ (year)

Total Requests for Permission to Provide Non-Audit Services received: _____

Of them:

Allowed for provision:

Actually provided:

thousand tenge

No.	Company Name	Name of the non-audit service	Amount of expenses for non-audit services	Number and date of the Audit Committee resolution

For reference:

- 1) services for training in accounting and financial reporting, taxation, audit and analysis of financial and economic activities and financial planning; obtaining international qualifications; higher education in finance; long-term training programs in internal audit, financial reporting and project management; management courses, as a rule, related to interpersonal skills in 20____ amounted to _____ thousand tenge, in 20____ - _____ thousand tenge.

Publication form
for Information on Audit and Non-Audit Services Provided by the Auditor
for the Reporting Year

No.	Names of services provided by the audit organisation that audits the consolidated financial statements of JSC NC “KazMunayGas” (KMG)	Cost of services, excluding VAT, in thousand tenge	
		previous reporting year	reporting year
1	Expenses for the audit of the consolidated and separate financial statements of KMG and its subsidiaries of all levels, including quarterly reviews for the reporting period		
2	Non-audit services*		
	Other		
	TOTAL expenses for non-audit services of KMG and its subsidiaries of all levels		
3	Share of non-audit services in total expenses		

For reference:

Services for training in accounting and financial reporting, taxation, audit and analysis of financial and economic activities and financial planning; obtaining international qualifications; higher education in finance; long-term training programs in internal audit, financial reporting and project management; management courses, as a rule, related to interpersonal skills in 20____ amounted to _____ thousand tenge, in 20____ - _____ thousand tenge

* the material non-audit services are indicated separately