

<b>NAC Kazatomprom JSC</b>	<b>Accounting Department</b>	<b>Accounting Department</b>
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**POLICY**  
**of NAC Kazatomprom JSC**  
**on engagement of audit firms**

**1. Aim**

This Policy of NAC Kazatomprom JSC relating to the use of the services of audit firms (hereinafter referred to as the Policy) establishes the objectives and basic principles for engagement of audit firms (including non-audit services provided by audit firms). This Policy was developed having regard to the provisions of the Policy of Samruk-Kazyna JSC for using services of audit firms approved by decision of the Board of Directors of Samruk-Kazyna JSC No.66 dated July 19, 2011.

**2. Scope**

This Policy applies to audit services provided to NAC Kazatomprom JSC and wholly owned subsidiaries (including non-audit services provided by audit firms).

The Group's enterprises other than wholly owned subsidiaries shall in due order develop and approve their own policies in the field of using the services of audit firms (including non-audit services provided by audit firms) independently, based on the provisions of this Policy.

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<b>0</b>		Director of the Accounting Department of NAC Kazatomprom JSC S. Bashakova _____ _____, 201__	Decision of the Executive Board of NAC Kazatomprom JSC No._____ _____, 201__	Decision of the Board of Directors of NAC Kazatomprom JSC No._____ _____, 201__
<b>1</b>		Director of the Accounting and Reporting Department of NAC Kazatomprom JSC Z. Kaliyeva _____ _____, 201__	Decision of the Executive Board of NAC Kazatomprom JSC No._____ _____,	Decision of the Board of Directors of NAC Kazatomprom JSC No._____ _____, 201__
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### 3. Terms and definitions

Definitions used in this Policy:

**Company** - NAC Kazatomprom JSC and organizations, one hundred percent of the voting shares (participatory shares) of which are directly or indirectly owned by the Company by right of ownership or trust management;

**Executive Board** – Executive Board of NAC Kazatomprom JSC;

**Audit Committee** – Audit Committee of the Board of Director of NAC Kazatomprom JSC;

**Internal Audit Service** – Internal Audit Service of NAC Kazatomprom JSC;

**Group** – the Company and enterprises of which fifty per cent or more of shares (or other participatory interests) are directly or indirectly, owned by the Company under the right of ownership or trust management;

**Indirect affiliation** - fifty or more percent of shares (participatory interests) of another legal entity belong to each subsequent legal entity under the right of ownership or trust management;

**Group’s enterprises** - legal entities, fifty or more percent of shares (participatory interests) of which are directly or indirectly owned by the Company under the right of ownership or trust management;

**Auditor** – a commercial organization with appropriate licences and rights established to carry out auditing activities (Audit firm) and which provides audit and non-audit services to the Company on the basis of a contractual agreement;

**Code of Ethics for Professional Accountants** - a set of ethical requirements (ethical standards) for professional accountants, issued by the Committee on Ethical Standards for Accountants of the International Federation of Accountants

### 4. General provisions

The Policy contains a number of guidelines and procedures that the Company should apply and adhere to continuously.

The main provisions of the Policy provide the Company with the opportunity to invite audit firms to provide certain audit and non-audit services without prejudice to the independence of the audit firms.

The provisions of the Policy associated to actions related to the Audit Committee are applicable only to NAC Kazatomprom JSC.

### 5. Purpose

The purpose of this Policy is to:

- 1) ensure efficient activities on engagement of audit firms (including non-audit services provided by audit firms);
- 2) introduce standardized procedures for the selection of audit firms, ensuring that the Company’s auditors maintain an independent status in provision of audit and non-audit services;
- 3) avoiding conflicts of interest by the Auditor.

### 6. Auditor selection

Key criteria for Audit firm selection are:

1) Quality of services.

Quality of services of audit firms s are determined through the following factors:

- level of qualification of specialists;
- relevant work experience in both Kazakhstan and international markets;
- promptness in services provision;
- knowledge of the Company’s industry

2) Cost of services.

The Company has set the following requirements for receiving services for the audit of its annual financial statements:

- 1) submission period of audit report on semi -annual and annual financial statements is established in accordance with the Company’s requirements;

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2) the audit firm should follow a principle of rotation of the lead audit engagement partner (being the individual who is primarily responsible for the audit service) in accordance with the regulations specified in section 11 "Rotation of the lead audit engagement partner" of this Policy;

3) provision of assistance by the Auditor to the external auditor of the consolidated annual financial statements of the Company's shareholder which directly or indirectly has an ownership interest of at least fifty percent of the Company's shares. In addition, the Auditor should provide access to working paper documents if requested by the auditor of the Company's shareholder.

4) preparation of Management Letter by the Auditor.

The Company complies with the "Auditor Selection Rules" of Samruk-Kazyna JSC dated December 27, 2016 (Minutes #46/16) which are applicable to organizations in which more than fifty percent of the voting shares (interest) are directly or indirectly owned by Samruk-Kazyna JSC, which are mandatory for compliance with the corporate standard for organizations, more than fifty percent of voting shares (shares) which directly or indirectly belong to Samruk-Kazyna JSC on the basis of ownership or trust management.

## **7. Provision of non-audit services**

7.1. The Company believes that the provision of certain non-audit services and the level of remuneration for non-audit services paid to an audit firm may lead to a conflict of interest or a real or perceived loss of independence. The potential services to be provided by an audit firm to the Company are classified into the following categories (further clarification is provided in section 9 of this Policy):

Category A: non-audit services that may affect the independence of the Auditor and which may be provided by an audit firm in accordance with the Law of the Republic of Kazakhstan "On Auditing Activities" and subject to the conditions stipulated by the Code of Ethics of Professional Accountants.

Category B: non-audit services that will lead to loss of independence of an audit firm and are considered prohibited services in accordance with the Law of the Republic of Kazakhstan On Auditing Activities and other restrictions provided for by the Code of Ethics of Professional Accountants.

7.2. Services in Category A may be provided by the Auditor subject to the approval requirements specified in section 8 of this Policy. Services in Category B cannot be provided by the Auditor to the Company.

## **8. Non-audit services approval**

8.1. Before the Auditor is engaged by the Company to provide services in Category A, prior approval of the Audit Committee is required. For any such potential services, the Audit firm is required to provide to NAC Kazatomprom JSC its rationale explaining why obtaining an approval will not jeopardize the independence of the Auditor. Materials provided to the Audit Committee on this issue shall include a schedule showing the amounts paid by NAC Kazatomprom JSC for non-audit services to the Auditor for the year divided into different categories of services, as well as the expected remuneration due for the provision of services for which approval is sought from the Audit Committee. Total fees for non-audit services provided to the Group is limited to no more than 70% of the average of the fees paid in the last three consecutive financial years for audit services to the Group.

8.2. Decisions taken by the Audit Committee on clause 8.1. hereof shall be submitted to the Board of Directors of NAC Kazatomprom JSC for information.

## **9. Conflicts of interest in providing non-audit services by an audit firm**

9.1. When the Company receives services on audit of financial statements, the Company shall consider the possibility of threats to independence of the Auditor due to:

- 1) the nature of the services previously received from this Audit firm;
- 2) financial or business relations with this Audit firm during or after the period covered by the financial statements.

If the Company considers that appropriate measures cannot be taken to exclude the threat of conflict of interest for an audit firm, the Company may not receive services for audit of financial statements from such an Audit firm.

9.2. The contract for provision of services on audit of financial statements shall include the

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obligations of the Audit firm to conduct an audit in accordance with the Law of the Republic of Kazakhstan “On Auditing Activities”.

9.3. The Services received by the Company from an audit organization shall not violate the principles of fairness and confidentiality which may occur:

- 1) when the audit organization has joint ventures or similar associations in which the majority of participants are competitors of the Company;
- 2) when an audit organization provides services to the Company and other organizations whose interests are conflicting or which are in disputes and discussions with each other on issues, operations and problems

9.4. The following types of services received from the Auditor may entail a threat of conflict of interest where the actual or perceived loss of independence of the Auditor can only be reduced to an acceptable level by the Company's refusal to receive such services from an audit firm or the Company's refusal to receive the services of an audit firm for the audit of its financial statements:

1) Preparing Accounting Records and Financial statements

Receipt by the Company of accounting and preparation of financial statements services from the Auditor are prohibited services and, accordingly, the Company should not receive such services from the Auditor.

2) Valuation and actuarial services

Asset valuation or actuarial services pose a threat of conflict of interest for the Audit firm which cannot be reduced to an acceptable level by any safeguards. Accordingly, the Company should not receive such valuation services or the Company should refuse to receive services related to audit of the financial statements from the same Audit firm.

3) Internal audit services

Internal audit services that relate to:

- (a) A significant part of the internal controls over financial reporting;
  - (b) Financial accounting systems that generate information that is, separately or in the aggregate, significant to the Company's accounting records or financial statements on which the audit firm will express an opinion; or
  - (c) Amounts or disclosures that are, separately or in the aggregate, material to the financial statements on which the audit organization will express an opinion;
- are prohibited services and the Company should not receive such services from the Auditor.

4) IT Systems Services

Services that relate to design or implementation of IT systems, that:

- (a) form a significant part of the internal control over financial reporting or
  - (b) generate information that is significant to the Company's accounting records or financial statements on which the audit firm will express an opinion
- are prohibited services and the Company should not receive such services from the Auditor.

5) Services related to assistance in arbitration disputes

Services by which the Company receives assistance in arbitration disputes may include examination and assessment of the alleged damage or other amounts that the Company may be obliged to pay or receive as a result of a judicial dispute, as well as assistance in record-keeping, search and preparation of documents for a judicial dispute.

If the assistance received by the Company in such disputes includes an assessment of the probable outcome of the dispute, which affects the amounts or information that should be reflected in the financial statements of the Company, then the audit firm may face a threat of conflict of interest. The significance of the threat depends upon factors such as:

- materiality of the amounts in dispute;
- degree of subjectivity in the dispute;
- nature of the service provided to the Company.

If the functions performed by the audit firm relate to management decision-making on behalf of the Company, the threat created by this cannot be reduced to an acceptable level by applying any safeguards. In this case, the Company should not receive such services from the audit firm.

6) Legal services

Legal services on issues that do not have a significant impact on the financial statements are

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not a factor that creates an unacceptable threat to the independence of the audit firm.

Legal services received by the Company for the purpose of obtaining assistance in a particular area (for example, drafting a contract, legal advice, legal expertise or advice on reorganization) may pose a threat to self-control for the audit organization, but safeguards may be taken to reduce such a threat to an acceptable level.

7) Recruiting Services

Recruiting services are prohibited services and the Company should not receive such services from the Audit firm.

8) Corporate Finance Services

Corporate finance services involving promoting, dealing in, or underwriting of the Company's shares are prohibited services and the Company should not receive such services from the audit firm.

9) Contingent fee arrangements

No services (audit or non-audit) can be provided to the Company by the Auditor where a contingent fee arrangement applies.

### 10. Regular reporting

At least once a year, the member of NAC Kazatomprom JSC Executive Board, who is responsible for accounting and financial reporting matters and interaction with the external auditor, shall provide a report to the Audit Committee that includes information for the previous period of 12 months, including:

- 1) scope of audit services rendered by the Auditor;
- 2) scope of non-audit services rendered by the Auditor (divided by services categories);
- 3) remuneration (for each separate service and in total) paid by the Company to the Auditor for services rendered.

### 11. Rotation of the lead engagement audit partner

The Company shall require the Auditor to follow the principle of rotation of the lead engagement partner (who is primarily responsible for the audit service ) every five years. A succession plan should be prepared by the Auditor and submitted to the Audit Committee for review no later than one year prior to the rotation.

An Audit partner who has acted as the lead audit engagement partner for a period of five years shall not subsequently participate in the audit of the Company until a further period of five years has elapsed. Participating in an audit includes providing quality control, consulting with the audit team or the Company regarding technical or industry specific issues, transactions or events, or otherwise directly influencing the outcome of the audit. This does not include responding to queries in relation to any completed audit during the time in which the audit partner has acted as the audit engagement partner. After a period of two years has elapsed from their ceasing to act as audit engagement partner, the former partner may start consulting to the audit team or the Company on technical or industry specific issues, provided that such consultation is in respect of new issues or new types of transactions or events that were not previously required to be considered in the course of acting as audit engagement partner.

In circumstances where the Company's Audit Committee decides that a degree of flexibility over the timing of lead audit partner rotation is necessary to safeguard the quality of the audit, and the Auditor agrees, the lead audit engagement partner may continue in this position for an additional period of up to two years. An individual may not serve for longer than seven consecutive years in total in the position of lead audit engagement partner.

In the case of such a decision, the NAC Kazatomprom JSC will disclose this fact to Shareholders in its relevant public releases together with the reasons.

### 12. Employment of employees of the Auditor

If a person participating in the audit of the Company's financial statements as an employee of the Auditor or who participated in the audit of the Company's financial statements as an employee of the Auditor for two years prior to the date he/she is to be appointed as a member of the Company's Executive

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Board, Financial Controller, Chief Accountant, Director of the Accounting Department, the prior approval of the Audit Committee is required before the employment of any such candidate.

### **13. Annual confirmation of the Auditor**

13.1. The contract for provision of audit of the Company's financial statements should include the obligations of the Auditor to confirm in writing to the Audit Committee (at least once a year) that:

- Independence of the Auditor has been maintained;
- Auditor and his/her partners have no financial interests in the NAC Kazatomprom JSC enterprises;
- members of the audit team have no financial interests in the NAC Kazatomprom JSC;
- except for the services allowed by this Policy, there are no other services provided by the Audit firm to the NAC Kazatomprom JSC;
- the total amount of remuneration received by the Auditor for services provided to the Company did not have a significant impact on the independence of the Auditor from the Company or the Group, the threshold of which, according to the Professional Ethics Rules of the Association of Chartered Certified Accountants of the United Kingdom of Great Britain and Northern Ireland (the ACCA Rules of Professional Conduct), must not exceed 15 percent of the Auditor's total revenues;
- there are no disputes between the NAC Kazatomprom JSC and the Auditor.

13.2. The Audit Committee will annually confirm to the Board of Directors of the Company that the Auditor has given a written confirmation referred to in clause 13.1 of this Policy.

### **14. Final provisions**

Issues not regulated by this Policy are regulated by the current legislation in Law of the Republic of Kazakhstan On Auditing Activities, Charter of NAC Kazatomprom JSC, and decisions of shareholders, Board of Directors and other internal regulations of the NAC Kazatomprom JSC.

This Policy should be periodically reviewed for the relevance of the requirements set out herein. The Audit Committee, as necessary, reviews compliance with the requirements of the Policy, with possible involvement of the Internal Audit Service for these purposes.

This Policy shall enter into force upon its approval by NAC Kazatomprom JSC Board of Directors and shall be publically disclosed on the NAC Kazatomprom JSC website.