

INTERNAL AUDIT CHARTER

Rev.	Pages amended	Developed by	Approved by
0		M.T. Korganbayeva, Acting Head of Internal Audit Service of NAC Kazatomprom JSC	Decision of Board of Directors of NAC Kazatomprom JSC No. 2/17 dated 30 March 2017.
1	2,3,6,8	M.T. Korganbayeva, Head of Internal Audit Service of NAC Kazatomprom JSC	Decision of Board of Directors of NAC Kazatomprom JSC No. 8/18 dated 26 September 2018.

Chapter 1. Terms and definitions

1. The following terms and abbreviations are used in this Charter:

- **Internal audit** – according to IPPF it is “an activity on provision of independent and objective assurances and advisories, oriented at enhancement of company activities. Internal audit allows the company achieving set goals applying systematized and sequential approach for the assessment and improvement of effectiveness of risks management processes, control and corporate governance”;
- **IPPF** - the conceptual framework of internal audit systematized and generally accepted regulatory and methodological documents developed by the International Institute of Internal Auditors (IIA). The components of IPPF are the key principles of professional internal audit practice, Code of Ethics, Standards and Definition of internal audit;
- **Company** – NAC Kazatomprom JSC;
- **IA** – Internal Audit Service;
- **BD** – Board of Directors of the Company;
- **AC** – Audit Committee of the Company;
- **Audit universe** is the aggregate of the audit objects (S&As except for their subs/affiliates, processes/subdivisions/
projects/certain areas of the Company);
- **S&As** – Company’s subsidiaries and affiliated enterprises;
- **Group** – Company and S&As;
- **Group Organizations** – the enterprises included into AAP for the purpose of these Charter;
- **AAP** – an annual audit plan;
- **Assurance Map** – a document specifying the areas of responsibilities of second line of defense subdivisions of the Internal Control System and other concerned parties with regard to assessment of individual risks of the Group Organizations.

Chapter 2. General provisions

2. This Charter was developed based on the following:

- RoK Law “On Joint Stock Companies”;
- Statute of the Company;
- Charters of the Board of Directors, of Internal Audit Committee;
- IPPF;
- Code of Ethics of the Institute of Internal Auditors.

3. Charter of Internal Audit (hereinafter referred to as “IA”) is an internal document specifying goals, authorities and obligations of IA.

Chapter 3. Organization of IA

4. To ensure independence IA reports to Company’s Board of Directors functionally and to Company’s Management Board in terms of administrative hierarchy.

5. Functional accountability to BD shall mean that BD performs the following:

- Approves the Charter of IA, IA Code of Ethics and IA methodological documents (policies and procedures);
- Approves the annual and strategic (if any) plans of IA activity;
- Reviews the reports on internal audit results;

- Approves the need in outsourcing external suppliers of internal audits on certain areas;
- Defines and approves the terms of powers and the number of IA members;
- Approves the appointment of IA Head and employees, as well as early termination of their authorities;
- Approves KPIs of IA Head and activities;
- Approves the size and terms of remuneration and bonuses for IA employees;
- Approves IA limits on budget items (cost estimates).

6. Administrative accountability shall mean that the Company's Management Board performs the following:

- Allocates the required funds in the frame of IA approved budget;
- Receives the reports on IA activity and auditor reports as required;
- Renders support while interacting with S&As and Company subdivisions.

7. Job descriptions of IA employees are approved by the Head of IA, but job duties of the Head of IA are approved by the BD Chairman.

Chapter 4. IA functions

8. The main IA mission is preservation and increase of the cost of Group Organizations through provision of objective internal assurances (inspections) using a risk-based approach, provision of recommendations and sharing the knowledge.

9. IA performs assessments and contributes to enhancement of processes of corporate governance, risk management and control in Group Organizations applying the systematized, consequential and risk-based approach.

10. IA shall evaluate and provide relevant recommendations on enhancement of the following corporate governance processes in the Group Organizations:

- Taking strategic and operational decisions;
- Supervision of the risk management and internal control system;
- Promotion of ethic norms and values within the organization;
- Provision of effective management of the Company activity and a responsible attitude to work;
- Transfer of the relevant information on risks and control issues within the organization.

11. IA must evaluate the design, practical implementation and effect of the aims, programs and events of the Company Organizations, related to the ethics.

12. IA must evaluate whether the informational technology management system corresponds with the strategy and objectives of the Group Organizations.

13. IA must evaluate the effectiveness of risk management processes of the Company Organizations. Measurement of effectiveness of risk management processes is based on estimation of IA employees, formed based on results of assessment of the following categories:

- Organization objectives correspond with the mission;
- Material risks are identified and assessed;
- Such risk response measures are chosen to allow retaining the risks under the organization's risk-appetite;
- The information related to risks is timely collected and communicated within the

organization and thus it allows performing obligations by the personnel and the management.

14. To form such a conclusion IA can rely on the comprehensive audit results of the Group Organization or conduct a special assessment of risk management processes performance of an individual Group Organization.

15. IA must support the reliable internal control system, evaluating its performance and effectiveness and contributing to its continuous improvement. Internal audit should assess the adequacy and effectiveness of control over these risks in the area of corporate governance, operating activities of the individual Group Organization and its information systems, in particular:

- Achievements of the organization strategic objectives;
- Reliability and integrity of information on financial and economic activities;
- Performance and effectiveness of activities and programs;
- Security of assets;
- Compliance with the requirements of laws, Charters, policies, procedures and contractual obligations.

16. IA can carry out consulting engagements tasks in the following areas (with sufficient resources):

- Participation in the documenting the internal control system;
- Comparative analysis of the activities of organizations within the Group;
- Comparative analysis of certain areas of the Company's activities with leading practices;
- Participation in the assessment of the adequacy of controls of the acquired new software of the Company;
- And others per the request of the Board, subject to inclusion in the audit plan approved by the Board;
- Consultations in the field of internal audit methodology for IA of S&A (if any).

17. The Audit Universe is compiled by the IA Head with participation of IA employees.

18. IA performs other unscheduled tasks and participates in other unscheduled projects on behalf of the Board of Directors or the Management Board of the Company, subject to preliminary assessment by the IA Head of the availability of resources, required knowledge, absence of negative factors affecting the independence and objectivity of IA employees when performing engagements or participating in Projects.

Chapter 5. IA authorities

19. IA employees have the right to:

- Obtain unimpeded access to any premises, personnel, assets, documents, accounting records, software and request any information about the activities of the Group Organization;
- Receive originals and copies of documents;
- Monitor the implementation by the Group Organizations of activities (corrective actions) performed based on the conducted audits;
- Travel on business trips to the Group Organizations.

20. IA employees should refrain from direct participation in risk management and risk measurement, which is the responsibility of the management of the Group Organizations.

21. IA should be free from interference by third parties in the process of determining the scope of internal audit, performance of activities and reporting the results. IA Head must provide the relevant information to BD on such interventions and discuss possible consequences.

22. IA may propose recommendations to the management of the Group Organizations on optimization/improvement of their activities.

23. IA may propose recommendations on optimization/improvement of internal audit to the Board of Directors.

24. The IA Head may initiate the involvement of internal/external experts not employed in the internal audit service to support or assist in work in the areas where internal audit lacks professionalism, subject to adherence to requirements on independence and objectivity.

25. In the event that the IA Head is required to perform functions and/or responsibilities outside the scope of internal audit, IA Head may refuse if such functions/ responsibilities can have a negative impact on independence or objectivity.

26. The IA Head can attend and participate in the BD meetings related to audit, financial reporting, corporate governance, risk management and internal control issues, which are the responsibility of the Board of Directors.

27. In order to ensure adequate coverage and minimize duplicating functions, the IA Head can exchange information and coordinate activities with other Company's internal divisions of the second line of defense (for example: risk management, audit and control, legal services, security services, etc.) and other parties, providing services for the provision of assurances and consultations (external financial auditors, IA of S&A, if any). The IA Head together with the Company's divisions can draw up an Assurance Map.

28. IA can perform engagements for granting assurances in the areas where consulting tasks were previously performed, if the nature of the consultancy task does not affect objectivity, and when allocating the work force for the engagement, personal objectivity is envisaged.

Chapter 6. IA responsibility

29. IA employees must comply with the IA Code of Ethics (Appendix 1) and the requirements of this Charter and other internal documents governing the activities of internal audit, as well as the current legislation.

30. IA employees should refrain from assessing the areas for which they previously held responsibility. It is believed that objectivity is adversely affected if an IA employee provides assurances in the area for which he was responsible during the previous year.

31. IA employees should be impartial and unbiased in their work and avoid conflicts of interest of any kind.

32. IA employees must own the knowledge, skills and other competencies required to perform their duties. To fulfill the tasks that IA faces, IA employees must jointly own or acquire the necessary knowledge, skills and other competencies

33. IA employees should be conscientious and apply their skills as expected from a sensible and competent internal auditor.

34. The IA Head should draw up a risk-oriented plan that determines the priorities of internal audit in accordance with the objectives of the Company, based on the assessment of risk factors.

35. The IA Head annually submits for BD approval a plan (annual and strategic, if necessary) of internal audit, limits on budget items (cost estimates) of IA. The IA Head should inform the BD of all the constraints that impede the implementation of the plan.

36. The IA Head reports to BD on a quarterly basis (within the deadline by BD) on the implementation of the audit plan. The report should also contain information on material risks and control problems, including fraud risks, corporate governance problems and other information required for the Management Board and the Board of Directors.

37. The IA Head annually submits to the Board of Directors a report on the effectiveness of the internal audit activity, IA KPIs, results of evaluation of internal auditors' activities and the proposals for their motivation.

38. The IA Head must ensure the effective use of the staff and resources to implement the approved plan.

39. The IA Head must effectively manage the internal audit department in such a way as to ensure its usefulness to the Company.

40. The IA Head must implement internal policies and procedures governing the internal audit activities.

41. IA employees must prepare and document an implementation plan for each engagement, including objectives, scope, timing and allocation of resources.

42. IA employees must exercise due professional care in their work, taking into account the following factors:

- Extent of work needed to achieve the audit objectives;
- Relative complexity, materiality or significance of matters for which assurance procedures are applied;
- Adequacy and effectiveness of corporate governance, risk management and control processes;
- Probability of significant errors, fraud or non-compliance with procedures;
- Costs of assurance in relation to potential benefits.

43. In exercising due professional care, IA employees must consider the use of technology-based audit and other data analysis techniques.

44. The IA employees must be alert to the significant risks that may affect the goals, operations or resources of the Organization of the Group. Nevertheless, assurance procedures alone even when performed with due professional care do not guarantee that all significant risks will be identified.

45. The IA employees must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives (Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information using appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals).

46. The IA employees must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

47. The IA employees must communicate the results of engagements. Communications must be accurate, objective, clear, concise, constructive, complete and timely. Communications must include the engagement's objectives, scope, and results.

48. Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and action plans.

49. When the IA Head concludes that the management of the Group of Organizations has accepted a level of risk that may be unacceptable to the organization, the IA Head must discuss the matter with senior management. If the matter is not resolved, the IA Head must communicate the matter to the Management Board.

50. The IA employees shall immediately communicate to the IA Head of identified facts of fraud that were found out during the audit. The IA Head, in turn, shall immediately inform the Company's Management Board and the BD simultaneously about these facts.

51. The IA Head must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. Such program must include the routine monitoring, as well as both internal and external assessments of quality of internal audit. A qualified, independent assessor or assessment team from outside the organization must conduct external assessments at least once every five years. The IA Head must assist to engaging AC/BD in the forming the actions and evaluation of effectiveness of the program for assuring and improving the internal audit quality.

52. The IA Head must control access to engagement records. The IA Head must obtain the approval of the Company's senior management prior to releasing such records to external parties, as appropriate.

53. The IA Head must establish and maintain a system to monitor the actions of the management of the Group Organizations (implementation of the follow-up action plan), taken based on the engagement results.

54. The IA Head is responsible for the annual assessment of the compliance of the IA objectives, powers and responsibilities defined under this Charter, with the tasks assigned to the internal audit and communicating the results of such an assessment to the attention of the Board.

55. The IA Head must have:

- 1) Higher education in finance/economics/mathematics/law;
- 2) At least seven years of experience in the field of audit/accounting/finance;
- 3) At least 3 years of senior management experience;
- 4) Knowledge of international standards of financial reporting and international professional standards of internal audit developed by the Institute of Internal Auditors Inc.;
- 5) Mandatory availability of a certificate in the field of internal audit (Certified Internal Auditor
- 6) preferably ACCA (Association of Certified Chartered Accountants) or DipIFR (Diploma in International Financial Reporting) designations;
- 7) proficient level of English.

56. Other IA staff must have:

- 1) Higher education in finance/economics mathematics/information technology/law, or technical;
- 2) Experience in auditing/accounting/finance/information technology/natural uranium mining - at least three years for senior managers, at least 2 years for managers;
- 3) Knowledge of international standards of financial reporting and international professional standards of internal audit developed by the Institute of Internal Auditors;
- 4) mandatory holding CIA (Certified Internal Auditor) designations if auditor is defined as a key auditor upon the Head of IA presentation;
- 5) mandatory holding CISA (Certified information systems auditor) or CISM (Certified information security manager), if an auditor is assigned a role of IT/IS.
- 6) for the rest auditors, if not belonging to the categories mentioned in pp.4) and 5) CIA certificate (Certified Internal Auditor), CISA (Certified information systems auditor), CISM (Certified information security manager), or ACCA (the Association of Certified Chartered Accountants) or DipIFR (Diploma in International Financial Reporting) would be a preference.

57. The IA Head and employees shall have no conviction for crimes committed in the area of economic activity, corruption and other crimes against the interests of the state service and public administration that were not extinguished or withdrawn in the manner prescribed by law.

Chapter 8. Final provisions

58. Amendments and Supplements to this Charter may be introduced by Decision of the Board of Directors.

59. In case of changing the IA title without changing the functions in this Charter, the rights and obligations of the reorganized division automatically pass to its successor.

60. The Appendices to this Charter are its integral part and are subject to mandatory observance and use in the work.

NAC Kazatomprom JSC		
Status: Effective	BA 11 03 AB	page 9 of 10

Chapter 9. Appendices

Appendix 1
to the Charter of the Internal Audit Service
approved by Decision of the Board of Directors
of NAC Kazatomprom JSC
dated ____ _____ 2017 Protocol No. ____

IA Code of Ethicsⁱ

Principles

Internal auditors are expected to apply and uphold the following principles:

1. **Integrity**
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
2. **Objectivity**
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
3. **Confidentiality**
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4. **Competency**
Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

ⁱ Source – Official Code of Ethics of the Institute of Internal Auditors, www.theiia.org