

**CORPORATE MANAGEMENT SYSTEM**

**Internal Control System Regulations**

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1. **Purpose**
   * + 1. The present Internal Control System Regulations (hereinafter - Regulations) shall determine the concept, aims and objectives of internal control system, the principles of its functioning, the key areas and key components of internal control, internal control procedures in the implementation of the Company's activities, internal control parties’ competence and responsibility for implementation of internal control procedures and evaluating the system of internal control of the Company.
       2. The Regulations shall also determine the responsibility of the Company for the provision of methodological and practical assistance for organization of the internal control system as well as for monitoring the effectiveness of internal control in subsidiaries and affiliated organizations of the Company.
       3. The Regulations shall be intended for officials and employees at all levels of management and operations of the Company, business units, subsidiaries and affiliates of the Company and other participants of Internal Control and stakeholders.
2. **Field of application**
   * + 1. The Regulations shall be mandatory for application in the Company. Subsidiaries and affiliates shall develop their own internal regulatory document on the basis of these Regulations.
3. **Definitions and abbreviations**

5. The following definitions and abbreviations shall be used in these Regulations:

1. **Business process** - logically complete set of interrelated activities, operations and processes with the involvement of various resources, implementing a policy of the Company in the field of management (managing business process), or doing core business (operational business process or servicing the core business (auxiliary business process ) in order to achieve the Company’s objectives;
2. **The owner of the business process** – this is the head of business unit who manages the process, has all the necessary resources at his disposal to carry out the process (personnel, equipment, tools, work environment, information, etc.), and who is responsible for the efficiency and effectiveness of the process entrusted to him;
3. **Officials** - Members of the Board of Directors and the Executive Body of the Company;
4. **SA** - subsidiaries and affiliates of the Company
5. **Control procedures (internal control procedures)** - A set of actions and activities aimed at eliminating (reducing) the probability of risks and improvement of internal control system of the Company. Control procedures are an integral part of the Company's business processes;
6. **Control Environment** - The general attitude of the Board of Directors, the Executive Body, the Company's shareholders to the need for establishment and functioning of internal control system in the Company, Company’s employees understanding the importance of such a system and actions taken in this regard;
7. **Consolidated group** - the Company and all its subsidiaries and affiliated organizations;
8. **Reasonable assurance** - The approach according to which the internal control can provide only reasonable assurance of achieving the objectives of the Company, but cannot give an absolute guarantee due to the inherent limitations of internal environment (for example, the human factor, the use of the principle of the feasibility of implementing control procedures, etc.);
9. **Risk** - This is a potential event (or a set of circumstances) in the future which, in the case of their occurrence could have a material adverse effect on the Company achieving its long-term and short-term goals
10. **The internal control system** - a combination of organizational policies, procedures, norms of conduct and actions, methods and internal control mechanisms established by the Executive Body and the Board of Directors (Supervisory Board) of the Company to ensure effective internal control over financial and economic activities, and aimed at the Company’s achievement of its objectives and mitigation of risks in carrying out activities;
11. **Testing (efficiency appraisal)** - Check the sufficiency of organization and the actual performance of the control procedures for the prevention, limitation and prevention of the risk to which it is addressed, carried out by evaluating the effectiveness of the design and evaluation of the operating effectiveness of control procedures.
12. **Participants (entities) of internal control system** - the Board of Directors, the Audit Committee of the Board of Directors, Chief executive officer of the Company, the Company's executive body, Internal Audit Service, the Company’s business unit in charge of internal control and risk management, the Risk Committee as well as officials and employees of the Company and its subsidiaries and affiliates who are responsible for the implementation of control procedures assigned to them according to the Company’s internal documents.
13. **Responsibility**
    1. These Regulations shall make a clear distinction of competence of internal control system participants, depending on their role in the processes of development, approval, application and evaluation of internal control system efficiency.
    2. The Board of Directors together with the Management Board shall provide a control environment that expresses and demonstrates the significance, the importance and necessity of internal control and compliance with ethical norms at all levels of activity.
    3. The Board of Directors shall be responsible for organizing, monitoring and evaluation of the efficiency of the Company’s internal control system using the risk - oriented approach.
    4. The Board of Directors shall approve the policy (the position) on the internal control system, all changes and additions to it and take steps to improve the internal control system.
    5. The Audit Committee shall be responsible for ensuring the reliability and efficiency of internal control system and development of recommendations for further improvement.
    6. The Management Board shall be responsible for development, implementation of policy on internal control system approved by the Board of Directors (Regulations), reliable and efficient operation of the internal control system, monitoring of internal control system, improving of internal control procedures and processes. Business process owners shall be responsible for development, documentation, implementation, monitoring and improvement of control procedures, maintenance of an effective internal control system in accordance with their official duties within the business processes assigned to them.
    7. The business unit responsible for internal control and risk management shall be responsible for providing methodological support to business processes owners during the development, documentation, implementation, monitoring and improvement of control procedures, the formation of the Action Plan for improvement of the internal control system, reporting on its implementation as well as for implementation of decisions of a higher rank internal control system participants within their competence.
    8. The Internal Audit Service shall be responsible for direct evaluation of the effectiveness of internal control system, formation and providing of a relevant report to the Audit Committee and the Board of Directors.
    9. Internal control system shall be an integral part of a unified system of internal control created in the consolidated group. The Company shall take necessary actions for development and approval of similar provisions in subsidiaries and affiliates in the prescribed manner.
    10. The Company shall provide methodological and practical assistance to subsidiaries and affiliates in accordance with the established procedure in order to create internal control system.
    11. The Company using its right as a shareholder to receive information, shall monitor the effectiveness of internal control system in subsidiaries and affiliates [in the prescribed manner](http://www.multitran.ru/c/m.exe?t=3530818_1_2&s1=%E2%20%F3%F1%F2%E0%ED%EE%E2%EB%E5%ED%ED%EE%EC%20%EF%EE%F0%FF%E4%EA%E5)
14. **Normative references and related documents**
    1. These Regulations have been designed taking into account the requirements of the following documents:
    2. The Company's Charter;
    3. Standard Regulations on the internal control system of organizations where “Samruk-Kazyna” JSC directly or indirectly owns more than fifty percent of voting shares (share of participation)
    4. The Company’s Code of Corporate Governance;
    5. Code of Business Conduct;
    6. Regulations of The Committee of Sponsoring Organizations of the Treadway Commission  (COSO)
    7. Rules for management of internal regulatory documents;
    8. Other documents of the Company.
15. **Objectives, tasks and functions**
    1. The present Regulations shall define internal control as a process implemented by participants of internal control system in order to achieve the objectives in three key areas:

1) operating activities;

2) preparation of financial statements;

3) compliance with regulatory and legislative requirements.

* 1. Internal control shall be aimed at ensuring reasonable confidence in Company's achievement of strategic and operational goals and implemented by organization of internal control system in the Company whose main objectives are:

1) improving the efficiency of operating activities;

2) ensuring assets protection and efficient use of resources;

3) ensuring the completeness, reliability and accuracy of financial and management statements;

4) compliance with requirements of the Republic of Kazakhstan legislation and internal regulatory documents;

5) reducing the probability of risk and the size of potential losses (including losses, credit rating downgrade, etc..);

6) control over the effective operation of main and auxiliary business processes and analysis of performance results;

7) assistance in creating an optimal organizational structure, etc.

* 1. The Company’s internal control system shall be an integral part of the corporate governance system ,cover all levels of management, all internal processes and operations of the Company.
  2. The internal control system shall include the formation of the management system by the Company , that can quickly respond to risks, exercise control over main and auxiliary business processes and daily operations of the Company, as well as immediately communicate any significant shortcomings and areas for improvement to senior executives of an appropriate level.
  3. Reliable and efficient operation of internal control system requires the involvement and constant interaction of the Company’s officers and employees of all levels in the framework of internal control
  4. The system of internal control in the Company shall be based on the following principles:

1. **integrity**: internal control system shall be an integral component of the Company's management system at all levels;
2. complexity: internal control system shall cover all areas of the Company's activities, control procedures shall be carried out in all business - processes of the Company at all governance levels;
3. the continuity of functioning: a constant and proper functioning of the internal control system, which allows preventing and detecting any deviations from the planned data;
4. responsibility: all parties/entities of the internal control shall be responsible for the proper performance of control procedures within its powers enshrined in in-house and internal regulatory documents of the Company;
5. the division of responsibilities – The Company shall be guided by the principle that the responsibility is inseparable (responsibility for execution of each control procedure is attached only to one participant of internal control system) and differentiation of control functions (functions are distributed among officials and employees of the Company so that the same person does not combine the functions related to the approval of transactions with certain assets, transaction accounting, assets protection and carrying out their inventory);
6. reporting of internal control system participants – internal control system’s participant of a higher rank shall control over the timeliness and quality of tasks and duties implemented by each involved person of internal control system.
7. the unity of the methodological framework - a common approach to the use of standards for internal control for all of its subsidiaries and affiliates;
8. the proper approval and approval of operations – the Company shall seek to establish a procedure for approval of all financial and economic transactions by authorized bodies and persons within their respective powers
9. the timeliness of the communication of any significant deficiencies and weak points of control –Tight deadlines for communication of relevant information to bodies and/or persons authorized to make decisions on elimination of any significant deficiencies and weak points of control shall be established in the Company.
10. the continuous development and improvement - internal control procedures should be aimed at constant identification of gaps and areas for improvement in the existing system of internal control taking into account its adaptation to changes in internal and external conditions of the Company’s performance and new emerged tasks, as well as the use of appropriate corrective measures and monitoring their implementation.
    1. The Company’s internal control system shall be built in accordance with COSO model “ Internal control – Integrated model” and consist of five interdependent components: model COSO «Internal Control - Integrated Model" and is
11. control environment;
12. risk assessment;
13. control procedures;
14. information and its transfer;
15. monitoring.
    1. These Regulations shall provide for the implementation of internal control procedures by officials and members of internal control system for each key area in the context of five interrelated components.
    2. All employees involved in internal control system of the Company shall comply with procedures and approaches described in these Regulations. The following sections of these Regulations shall describe the general order of work and interaction within the Company's internal control system.
16. **Components of internal control system**
    1. **Control environment**
    2. Control environment is the foundation for all components of internal control system and shall ensure a clear structure and discipline among officers and participants of internal control system. The control environment shall include:
17. organizational structure;
18. honesty and ethical standards;
19. philosophy and management style;
20. HR policy;
21. employees competence
    1. **Organizational Structure**
    2. Organizational structure of the Company must comply with international standards in the area of ​​internal control and internal audit, and shall provide for:
    3. The Audit Committee of the Board of Directors as the supervisory body for internal control processes;
    4. Internal Audit Service, which carries out an annual internal audit, evaluation of the Company’s internal control effectiveness and report generation for the Audit Committee;
    5. The business unit responsible for matters on internal control and risk management;
    6. Collegial body on risk management (eg, the Risk Committee) under an executive body
    7. The development, making changes and approval of the organizational structure of the Company in accordance with Charter.
    8. The organizational structure of the Company shall comply with its strategic aims and objectives and include:
    9. Identification of interrelated and consistent goals and objectives at different levels of the Company's management;
    10. Distribution and delegation of key powers and responsibility in the Company, as well as a clear organization of power system and subordination;
    11. Ensuring the efficient collaboration of departments and employees of the Company;
    12. The organizational structure of the Company shall be regulated by internal regulatory documents that disclose goals, objectives, roles, responsibilities, rights, jurisdiction and powers of the bodies, officials, departments and employees of the Company.
    13. **Integrity and ethics**
    14. Core values ​​and foundation for the Company’s business ethics are expertise, integrity, transparency and understanding of social responsibility. The Code of business conduct that determines and reflects the vision and understanding of corporate business ethics principles by participants of internal control system shall be in effect in the Company.
    15. The Board of Directors and the Management Board shall ensure the creation and functioning of control environment which expresses and demonstrates to employees the importance of internal control and compliance with ethic norms at all levels of management and activities of the Company
    16. The Board of Directors and the Management Board shall take necessary steps to eliminate or reduce incentives and reasons that may encourage employees to unfair, illegal and unethical actions.
    17. The Management Board shall be responsible for development and implementation of mechanisms which govern the procedure for holding the training to increase individual awareness of internal controls and the transfer of information between officers and employees.
    18. **The philosophy and management style**
    19. ​​The corporate values ​​of the Company are its supreme values ​​that reflect the mission and vision of the Company and set the philosophy and principles of relations both within the Company and with partners, the state and society as a whole. Corporate values ​​of the Company shall be focused on:
22. Social responsibility – social responsibility for doing business that provides benefit, promotes social and sustainable development of Kazakhstan society through the influence of the Company’s activity on it;
23. Employees - the development and motivation of employees in order to increase the efficiency and loyalty to the Company. Officials shall demonstrate concern for professional development and career growth of employees and consider their main task to educate professionals and form a strong talent pool among the best employees;
24. The corporate culture - respect, fairness, courtesy and goodwill in relation to employees, customers, partners and society, knowledge of each employee of the mission, vision and strategic direction of the Company.
    1. Basic corporate principle of the Company’s activity is democratic decision-making, which means making decisions based on the opinion of each employee, where everyone expresses their point of view.
    2. Human Resources Policy
    3. HR policy of the Company shall be aimed at recruitment and retention of highly qualified and motivated employees.
    4. Business process owners responsible for personnel policy, shall be in charge of performance of recruitment procedures (conducted on a competitive basis), performance evaluation, labor remuneration of employees, training, rotation of key personnel and other procedures related to staff management and provision of appropriate reporting to the Management Board.
    5. **Employees competence**
    6. Competence of employees shall demonstrate the knowledge and skills necessary to perform tasks and shall be the basis for successful implementation of the Company's strategic goals. In this regard, the existence of effective and reliable procedures for hiring and training of personnel is an important activity of the Company shall be based on provisions of the Company's HR policy.
    7. Regulations on business units and job descriptions of employees according to the staff list of the Company shall be developed and approved in accordance with the Rules for development of provisions on business units and job descriptions.
    8. The distribution and delegation of authority within the organizational structure, which defines the procedure for monitoring the implementation of assigned tasks shall be carried out in accordance with the Charter of the Company.
    9. Business process owners shall be responsible for monitoring performance of official (functional) responsibilities of the Company’s employees specified in job descriptions, for provision of feedback to employees and employee’s performance appraisal.
    10. **Risk Assessment**
    11. **Risk Management System**
    12. Risk management process is an integral component of the Company’s activity and its subsidiaries and affiliates. This process is aimed at identification, assessment and monitoring of all significant risks, as well as taking measures to reduce risks that may adversely affect the operations and reputation of the Company.
    13. The Company's risk management system shall cover all financial, operational, strategic and legal risks and ensure the implementation of all Company’s operations assuming the occurrence of risks within the established limits and restrictions.
    14. The Board of Directors shall provide a reliable, transparent and efficient functioning of risk management system and risk assessment for the whole Company.
    15. The Board of Directors, together with the Management Board shall review and approve risk maps, risk registers, risk matrices and controls, as well as reporting on the Company risks.
    16. Business process owners and participants of internal control system together with the business unit responsible for internal control and risk management shall assess and identify process risk locally and also responsible for documentation of process risks identified in risk matrices and controls.
    17. The business unit responsible for internal control and risk management shall provide methodological support in the identification and documentation of process risks, as well as shall control over the quality of information provided by business process owners.
    18. The business unit responsible for internal control and risk management shall be responsible for carrying out the procedures for identification of significant risks, formation of risks maps and registers, provision of timely reporting on risk management system to the Board of Directors and the Management Board, to ensure documentation of all procedures within the framework of risk management.
    19. **Risk Management Policy**
    20. Risk management policy shall be intended for regulating the risk management and shall contain a set of basic policies and principles, terms of making management decision and other activities carried out in the Company.
    21. The Board of Directors shall be responsible for approving the Risk Management Policy.
    22. The Management Board shall be responsible for development of Risk Management Policy that classifies types of risks, methods and techniques of risk management and has the following objectives:
25. Continuous identification and evaluation of significant risks which could have a negative impact on the achievement of the Company’s objectives;
26. Development and implementation of a methodology on identification, prevention and calculation of the value of potential risks impact.
    1. The business unit responsible for internal control and risk management shall provide a classification of risks that affect the Company's operations, establish limits and ratios to control risks at an acceptable level, analyze internal and external factors for the purpose of predicting the probability of risk occurrence and provide plans and recommendations in the framework of risk management.
    2. **Control procedures**
    3. The internal control procedures are a documented system of measures and actions to ensure effective internal control over implementation of goals, objectives and plans of the Company and on identification and execution of non-standard operations, as well as prevention, limitation of risks and possible misconduct by officials and employees of the Company.
    4. Control procedures shall be carried out at all levels of the Company and shall be subject to observance by authorities and employees of the Company.
    5. The Board of Directors and the Management Board shall ensure the development, approval, formalization and documentation of control procedures in three key areas (operating activities, preparation of financial statements and compliance with regulatory and legal requirements), aimed at:
27. reducing the likelihood of potential risks;
28. prevention of errors and / or determination of errors after they occur;
29. identification and elimination of duplicate and redundant operations;
30. identification of gaps and areas for improvement;
31. further improvement of the internal control system.
    1. The business unit responsible for internal control and risk management shall ensure timely provision of information on the identified process risks to Internal Audit Service.
    2. The business unit responsible for internal control and risk management shall ensure timely provision of methodological support to business process owners in terms of documenting the identified risks and the determination of control procedures on primary and secondary business processes in risk matrices and controls, block diagrams of business processes.
    3. Business process owners shall provide interaction with business unit responsible for internal control and risk management in terms of identification of process risks and determining control procedures. As part of this interaction business process owners shall develop / actualize flowcharts on business processes supervised by them with an indication of the risk the process level and control procedures, develop / actualize of risks matrices and controls on business processes supervised by them, form an action plan for further improvement of internal control system.
    4. The Internal Audit Service shall be responsible for carrying out the testing of the operating effectiveness of control procedures and documenting test results. Testing shall be carried out on the basis of risk matrices and controls provided by the business unit responsible for internal control and risk management. Following the test results, Internal Audit Service shall document identified gaps and areas for improvement and provide appropriate reporting to the Audit Committee, as well as other stakeholders in the Company.
    5. Control procedures shall include:
32. Establishment of goals and objectives, powers and responsibilities of business units, employees and officers of the Company at all management levels of the Company, ensure their effective interaction;
33. The establishment of powers to authorize transactions: the approval and implementation of transactions only by persons who are endowed with respective powers;
34. The division of responsibilities and lack of conflicts of interest in the performance of duties by officials and employees of the Company;
35. The establishment and maintenance of a reliable information supply system and effective information exchange channels between the bodies, business units and employees of the Company;
36. Informing all employees and officers of the Company on their responsibilities to observance of internal control and their awareness of their role in internal control system;
37. The establishment of key performance indicators of the Company and individual key performance indicators for each employee of the Company’s management personnel in accordance with the documents of the Company;
38. The establishment of criteria and performance evaluation of agencies, departments and employees of the Company;
39. Risk management of the Company;
40. Monitoring of acquisition / alienation, asset restructuring of the Company and observance of property rights on them (assets protection);
41. monitor the effective use of the resources of the Company;
42. Monitoring the implementation of the development plan and budget of the Company;
43. Control over the implementation of investment projects;
44. Control over compliance with the established procedure of accounting and tax accounting, compilation and timely submission of the Company reports (accounting, management, financial, tax and other);
45. Monitoring of compliance with the requirements of the Republic of Kazakhstan legislation, internal documents of the Company, as well as instructions of public authorities;
46. Control over the execution of decisions taken by the Company bodies;
47. Control over the implementation of the recommendations of the audit organization that conducts the audit of the annual financial statements of the Company as well as recommendations of the Internal Audit Service;
48. Monitoring of compliance with established procedures for information disclosure by the Company;
49. Monitoring of compliance with the established procedure for document management in the Company;
50. Annual assessment of internal control system effectiveness;
51. Proper documentation of internal control procedures;
52. Any other procedures provided for by internal documents of the Company.
    1. The procedure for carrying out control procedure shall be characterized by the obligatory presence of the following elements:
53. The purpose of implementation of the control procedures (the object and task of control);
54. Responsible person (owner) of the control procedure;
55. The order of activities carried out under the control procedure;
56. Frequency and duration of implementation of the control procedure;
57. Control means (hardware, IT systems, documents and reports);
58. The result of the control procedures implementation.
    1. **Information and its transfer**
    2. Information and its transfer is the process of identifying, documenting and timely bringing of necessary and relevant information to the attention of officials, as well as provides for a presence of the Company’s information support system.
    3. **Information support system**
    4. These Regulations shall govern the processes of preparation, transmission, review and approval of policies and procedures within the framework of internal control system, as well as responsibility of officials and participants of the internal control system for documenting of control procedures and exchange of relevant information.
    5. The Board of Directors shall be responsible for approving the Information Security Policy and Regulations on confidential information and trade secrets. Additionally, the Board of Directors shall approve the procedure for disclosure of information, a list of public documents and shall be responsible for timely disclosure of material information in public sources.
    6. The Board of Directors and Management Board shall be responsible for formation and maintenance of an information management/support system and the exchange of information that includes the following:
    7. Organization of the system of collection, processing and transfer of information, including the generation of reports and messages containing the Company’s information on three key areas (operating activities, financial statements and compliance with legal and regulatory requirements);
    8. The organization of effective channels and means of communication, providing vertical and horizontal communication links within the Company, as well as with subsidiaries, affiliates and third parties;
    9. Access to information received from internal and external sources and its safety;
    10. Bringing of current policies and procedures applied in the Company to the attention of employees
    11. **The powers and duties of the internal control system participants**
    12. These Regulations, according to the model COSO “Internal Control -Integrated model" shall determine the approach to the creation of internal control system which provides for involvement in the internal control process of all officials and participants of the internal control system.
    13. The Board of Directors and the Management Board shall provide immediate and full access to the relevant documents of the internal control system.
    14. The Audit Committee of the Board of Directors shall carry out direct monitoring, and coordinate the activities of the Internal Audit Service.
    15. The business unit responsible for internal control and risk management shall provide continuous and transparent cooperation with the Internal Audit Service, provide methodological support to business process owners within the work on the internal control system and ensure the exchange and transfer of the necessary information.
    16. Business process owners shall be responsible for development / updating the risk matrices and controls, formation of an action plan for further improvement of the internal control system, and monitoring the work on the internal control system in business processes assigned to them.
    17. Risks matrix and controls should consist of the following main fields:
59. subprocess;
60. risk code;
61. risk;
62. control procedure code;
63. control procedure;
64. a document regulating the control procedure;
65. participants of the control procedure;
66. frequency of control;
67. the type of control;
68. the basis for assessing the effectiveness of the control design;
69. evaluation of the effectiveness of control design.
    1. The Internal Audit Service shall provide development and the formation of the annual audit plan in accordance with the approved internal regulatory documents that govern the organization of internal audit in the Company, also shall develop plans for testing of operating efficiency of control procedures for the identified business processes.
    2. Business units, subsidiaries and affiliates of the Company shall ensure full and transparent cooperation and the timely provision of information requested to business units responsible for risk management internal control, in part:
70. formation of risk matrices and controls;
71. testing of the control procedures’ design efficiency;
72. identifying of gaps and areas for improvement on primary and secondary business processes.
    1. The individual functions within the system of internal control can be assigned to the created in the Company's specialized business units and individual employees of the Company.
    2. **Monitoring**
    3. **Monitoring and feedback**
    4. Improvement of the internal control system, in addition to the elimination of all identified deficiencies by concerned business units, also implies a continuous monitoring of the entire system in general to ensure its effective functioning.
    5. Monitoring is a process of evaluating the components of internal control which ensures that the Company is achieving its goals. Monitoring shall be carried out by officials in the framework of operating activity or by conducting periodic testing.
    6. Monitoring of the internal control system shall involve the following:

1) formation of control procedures at all levels of the Company;

2) execution of the annual audit plan by the Internal Audit Service;

3) annual assessment of the Company’s internal control system efficiency

4) daily monitoring of significant transactions;

5) communicating the necessary information to officials and business process owners.

* 1. For the purposes of the efficient and reliable operation of the internal control system, the Board of Directors and the Management Board shall ensure a procedure of continuous monitoring and provision of feedback to participants of the internal control system. Additionally, the Board of Directors shall provide for taking actions on:

1) support and interest on the part of officials;

2) definition of milestones and responsible persons for each of them;

3) methodological equipment of business unit responsible for internal control system;

4) availability of an independent and objective Internal Audit Service.

* 1. In accordance with Regulations on the Internal Audit Service, the Internal Audit Service shall serve as part of continuous monitoring of internal control system and directly in the framework of annual audit plan shall assess the internal control system as a whole and in the context of business processes for its compliance with set goals, objectives and criteria, and shall provide recommendations for improving the internal control system.
  2. The results of Internal Audit Service work on the assessment of internal control system must be reported to the Internal Audit Committee and the Board of Directors within the framework of respective reporting.
  3. Reports of the Internal Audit Service should give the Internal Audit Committee and the Board of Directors a balanced assessment of significant risks and effectiveness of internal control system in the management of these risks in their respective areas of activity. Any significant deficiencies and identified control weaknesses should be discussed in the report, including the impact they had, or will have on the Company and the actions taken to address them.
  4. In assessing the reports during the year, the Internal Audit Committee and the Board of Directors shall:

1) review significant risks and assess the way they were identified, evaluated and managed;

2) evaluate the effectiveness of the internal control system in management of significant risks relating, in particular, to any significant shortcomings and weaknesses of internal control which are described in the report;

3) to consider whether the appropriate actions to correct the detected significant shortcomings and weaknesses of the control were taken immediately;

4) determine whether the reasons indicating the need for more intensive monitoring of the internal control system are available in the detected shortcoming and weaknesses of control

* 1. In the absence of the Internal Audit Service, the Board of Directors shall ensure the use of other processes of monitoring and control to confirm the view that the internal control system operates in accordance with the requirements. In this case, the Board of Directors must assess whether such a process provide sufficient and objective guarantees.
  2. **Evaluating the effectiveness of the internal control system**
  3. This section shall determine the main objectives and the order of work on the assessment of the effectiveness of internal control system, whose main goal is continuous improvement of the internal control system.
  4. Evaluation of the internal control system efficiency shall be used to determine the probability of occurrence of errors that affect the achievement of objectives and the accuracy of the Company statements, determine the materiality of these errors and determine the ability of the internal control system to ensure the implementation of its goals and objectives.
  5. The annual procedure for evaluation of internal control system efficiency includes direct involvement of officials and participants of internal control system in the process.
  6. The Board of Directors in conjunction with the Internal Audit Committee shall be responsible for conducting annual evaluations of the internal control system effectiveness. The Board of Directors should form their own opinion about its efficiency after due and careful study of information based on reports and guarantees brought to him by the Internal Audit Service, the Audit Committee and the Management Board.
  7. The role of various committees of the Board of Directors in the process of assessing the internal control system shall be determined by Regulations on the relevant Committees of the Board of Directors and may depend on such key factors as the size and structure of the Company, the scale, diversity and complexity of the operations of the Company, the nature of significant risks faced by the Company .
  8. Internal audit service shall evaluate the efficiency of internal control in accordance with Methodology for evaluating the effectiveness of the internal control system approved by the Board or the Company’s sole shareholder
  9. Internal Audit Service shall ensure timely provision of reports on evaluation of the effectiveness of internal control system to the Audit Committee and Board of Directors.
  10. The report on the evaluation of internal control system efficiency should contain a list of observations and recommendations which is a description of detected inconsistencies and shortcomings in the internal control system and recommendations for improving the internal control system in the context of components and the evaluation criteria in accordance with International professional standards of internal audit.
  11. The head of the Internal Audit Service shall be responsible for:

1) the completeness, existence and accuracy of the information provided;

2) implementation of works planning in assessing the effectiveness of internal controls;

3) carrying out activities in accordance with International Professional Standards of Internal Audit.

* 1. Business process owners and participants of internal control system shall provide direct assistance to the Internal Audit Service in assessing the effectiveness of the internal control system.
  2. The effectiveness of internal control system shall be assessed by the following rating scale:

|  |  |
| --- | --- |
| The final score of ICS efficiency: | Efficiency rating |
| Up to 20% | Internal control is absent |
| from 21 % to 40% | low |
| from 41 % to 60% | Average |
| From 61% to 80% | Above average |
| Higher 80% | high |

* 1. Following the results of evaluation of the internal control system efficiency the Management Board shall ensure the development of the Action Plan for improvement of internal control system containing specific steps in the context of detected inconsistencies and shortcomings in the internal control system, deadlines for their execution and responsibilities of the internal control system participants
  2. The Action Plan for the improvement of the internal control system shall be approved by the Board of Directors taking into account preliminary consideration and making decision by the Audit Committee.
  3. **The Board of Directors report on Internal Control**
  4. The Board of Directors shall be responsible for disclosure of information about internal control system in the annual report presented to Shareholder, in which it shall:

1) describe the current process for identifying, evaluating and managing significant risks faced by the Company;

2) indicate that the process was carried out during the year under review and updated (confirmed) by the date of the annual report approval;

3) indicate that the process is regularly assessed by the Board of Directors and meets the requirements of these Regulations, i.e. confirm its responsibility for organization of internal control system and assessment of its effectiveness, including the explanation that such a system is only reasonable but not absolute assurance against material misstatement and loss.

* 1. The annual report of the Board of Directors shall contain:

1) a brief description of the process that it uses (where applicable, with the help of the Committees of the Board of Directors, the Internal Audit Service) on assessment of internal control system efficiency in accordance with section 7.5 of the Regulations

2) a description of actions taken by him to work on essential aspects of any significant internal control problems which are described in the annual report.

3) guarantee that the submitted report contains a significant objective, reliable and timely information to the highest level.

4) Additional information (if necessary) for understanding of risk management processes and internal control system in the Company.

* 1. If the Board cannot disclose the information provided for in paragraph 119 of Regulations and did not assess the effectiveness of internal control, it should mention this fact and provide a comment.
  2. Assessment of the internal control assessment for consolidated group and report to shareholders shall be formed across all group as a whole. Evaluation of the internal control system effectiveness for the consolidated group shall be conducted on the basis of reports (assessment) of the respective competent authorities of subsidiaries and affiliates and reports of the external auditors.
  3. In case if for the purposes of compliance with these Regulations the inclusion of subsidiaries and affiliated companies in the consolidated group is not required in accordance with International Financial Reporting Standards this should be disclosed in the report (control or significant influence is temporary).

1. **Final Provisions**
   1. These Regulations and all amendments thereto shall be considered and approved by the Board of Directors.
   2. Issues not regulated by these Regulations shall be governed by the laws of the Republic of Kazakhstan, decisions of the Board of Directors and other internal documents of the Company.
   3. In the event of changes in the law or regulations of the Republic of Kazakhstan and individual articles of present Regulations comes in conflict with them, these articles shall become invalid and it is necessary to be guided by laws and regulations of the Republic Kazakhstan until making amendments to these Internal control system regulations.