

Annex N 6  
to minutes of the Board of Directors of  
EIC KazakhExport JSC  
dated 26 September 2018 N 8

‘Approved’  
by decision of the Board of Directors  
of EIC KazakhExport JSC  
minutes dated 26 September 2018 N 8

**Policy for Arrangement and Conduct of External Audit at  
Export Insurance Company  
KazakhExport Joint-Stock Company**

**Astana, 2018**

## BY-LAW SUMMARY

By-Law	Policy for arrangement and conduct of external audit at Export Insurance Company Joint Stock Company EIC KazakhExport JSC
Holder of the By-Law	Internal Audit Service
Access level	Publicly accessible
Measures to acquaint all the employees of the Company with the By-Law	Email distribution within 1 (one) business day after the By-Law is placed on Internal Portal network drive

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## Chapter 1. General Provisions

1. This Policy for arrangement and conduct of external audit (hereinafter the 'Policy') at Export Insurance Company KazakhExport Joint Stock Company (hereinafter the 'Company') is developed subject to the laws of the Republic of Kazakhstan, Charter of the Company, by-laws of the Company and also subject to international financial reporting and audit standards recognized in the Republic of Kazakhstan.

2. Purpose of this Policy is to arrange efficient activities to engage services of audit organizations (including non-audit services provided by audit organizations) and also introduce generally accepted procedures to select them, to ensure preservation by auditors of the Company of an independent status within provision of audit and non-audit services and prevent a conflict of interests.

3. Arrangement of external audit shall rest on the following principles:

- 1) honesty;
- 2) objectivity;
- 3) professional competence;
- 4) confidentiality;
- 5) professional behavior;
- 6) independence;
- 7) professional standards.

4. The following terms and definitions shall be used in this Policy:

1) auditor – an individual approved by the Qualification Committee for certification of candidates to auditors who received a qualification certificate of assigned qualification 'auditor';

2) audit activities – entrepreneurial activities to carry out audit of financial statements and other information connected with financial statements and provision of audit services related to a business profile;

3) auditor's report – a written official document which is a result of the conducted audit;

4) audit organization (hereinafter the 'external auditor') – an audit organization which carries out audit of the Company, including but not limited to audit of financial statements and/or special purpose audit of a subject of quasi-public sector and/or tax audit or which it is planned to engage for conduct of such audit;

5) special purpose audit of subjects of quasi-public sector – audit related to the question of use of budgetary funds;

6) tax audit – audit related to the question of correct calculation and payment of all the types of taxes and other compulsory payments to the budget, completeness and timely calculation, deduction and transfer of compulsory pension contributions, compulsory professional pension contributions, completeness and timely calculation and payment of social deductions carried out in manner as determined by an authorized public agency;

7) external audit – audit of the Company carried out by an external auditor;

8) Code of Ethics – a compendium of ethical rules of professional activities of auditors

9) Audit Committee of the Board of Directors of the Company – a standing advisory body of the Board of Directors of the Company established with a view to improve efficiency and quality of performance of the Board of Directors through preparation for the Board of Directors of recommendations how to introduce an efficient system to control financial and economic activities of the Company (including complete and reliable financial statements), monitor reliability and efficiency of systems of internal monitoring and risk management and also performance of documents in corporate governance, monitoring of independence of external and internal audit;

10) conflict of interests – situation when an interest of an audit organization can affect its opinion about reliability of financial statements of the Company;

11) International Financial Reporting Standards (IFRS) – financial reporting standards as approved by the International Accounting Standards Board;

12) project partner – a partner or other persons of the external auditor liable for audit and

also report (opinion) issued on behalf of the external auditor;

13) letter to management board – a written inquiry of the external auditor to the management of the Company with information about deficiencies in accounting records, accounting and internal control systems which may lead to errors in accounting reporting, and relevant recommendations for correction of identified defects;

14) financial statements – information about financial standing, results of activities and changes in financial situation of the Company;

15) Sole Shareholder / Holding –National Management Holding Baiterek Joint Stock Company.

Notions, terms, definitions and abbreviations not set out in this section but used throughout the text of this Policy shall have definitions subject to the laws of the Republic of Kazakhstan and/or internal documents of the Company.

5. The external auditor shall carry out professional services according to international audit standards which do not conflict with the laws of the Republic of Kazakhstan released in the state and Russian languages by an organization which has a written permit for their official release in the Republic of Kazakhstan from the International Auditing Practices Committee at the International Federation of Accountants.

## **Chapter 2. Main Requirements and Procedure of Organization of External Audit**

6. With a view to arrange external audit of the Company in compliance with the laws of the Republic of Kazakhstan and in manner as prescribed by a by-law of the Company regulating conduct of procurement of goods, works and services, the following procedures shall be carried out:

- 1) conduct of procedures for procurement of services of the external auditor;
- 2) determination of the external auditor and a size of payment for his services;
- 3) entry into an audit service contract.

7. It shall be possible to carry out long-term procurement of services of the external auditor in manner as prescribed by by-laws of the Company in compliance with requirements of the laws of the Republic of Kazakhstan.

8. Audit of the Company can be carried out on the initiative of the Board of Directors, Management Board of the Company or on demand of the Sole Shareholder, in which case the Sole Shareholder shall be entitled to determine an audit organization on its own.

9. Audit contract shall be entered into subject to statutory requirements of the Republic of Kazakhstan and by-laws of the Company.

10. For the purpose of conduct of an annual special purpose compulsory audit of subjects of quasi-public sector (hereinafter the ‘special purpose audit’) the Company shall notify the Holding of its plans to carry out special purpose audit on or before October 1 of a year preceding a planned one.

11. Special purpose audit shall not be carried out for a period covered by audit by bodies of state audit and financial control.

12. Audit opinion related to results of the conducted special purpose audit must be brought to the notice of the Holding.

13. The Company shall carry out tax related audit, as and when necessary, subject to the laws of the Republic of Kazakhstan.

14. With a view to ensure proper coverage and minimization of double work, external auditors and the Internal Audit Service of the Company (hereinafter the ‘IAS’) shall be allowed to exchange information about plans and results of their activities.

External auditor can be provided, based on his request, with an access to approved reports about IAS performance, management’s answers to these reports and results of IAS monitoring of implementation of corrective actions based on recommendations of the IAS and external auditors.

Based on audit results, external auditor shall send to the IAS counterparts (electronic files) of its auditor’s report, letter to Company’s management and related presentations. After

analysis of the reports, letters to the management and recommendations of the external auditor (if any), the IAS shall monitor their performance by the Company.

Based on results of the provided audit services for a certain reporting period, external auditor and the IAS shall communicate (if necessary) to the Audit Committee of the Board of Directors of the Company about results and efficiency of their interaction.

### **Chapter 3. Conflict of Interests When External Auditor Provides Audit of Financial Statements and Non-Audit Services**

15. The external auditor shall be banned from conduct of audit in cases as provided for by the Audit Activities Law of the Republic of Kazakhstan.

16. Upon receipt of services and equally upon procurement of services for audit of financial statements, the Company must study a threat (risk) of occurrence of a threat of conflict of interests (a situation when interest of the external auditor can affect its opinion about reliability of the financial statements) which affect independence of the external auditor due to the following:

- 1) nature of services earlier received from this external auditor;
- 2) financial or business relations with this external auditor during or after a period covered by the financial statements.

In case if the Company fails to take or cannot take measures to rule out a threat of self-control for the external auditor or its minimization to the acceptable level, the Company cannot receive audit services for financial statements from such external auditor.

17. According to the Code of Ethics, provision of a number of services not connected with audit of financial statements (non-audit services) according to the list as set out in clause 19 hereof can entail a conflict of interests which affect independence of the external auditor. In which case, the Company as a person interested in obtaining the services shall also need to evaluate significance of any threat created by obtaining such services. In a number of cases, it can be ruled out or mitigated to the acceptable level through the use of precautionary measures, in other cases such threat cannot be mitigated to the acceptable level by any precautionary measures.

18. With a view to ensure independence judgment of the external auditor which carries out audit of financial statements, tax audit, special purpose audit, the Company shall be banned from acquisition and/or obtaining by the Company of services of this Auditor to maintain accounting and prepare financial statements.

19. With respect to the following types of services to be received from the external auditor which carries out audit of financial statements, tax audit, special purpose audit, a conflict of interests may arise which affects his independence:

1) Services in taxation – as a rule shall not entail an occurrence of a threat of independence for the external auditor;

2) Information services – obtaining by the Company of services connected with development and introduction of IT systems used for processing of information which is included into financial statements, can create a threat to independence of the external auditor, in connection with which the Company must take proper precautionary measures which ensure the following:

- an officer of the Company recognizes his responsibility for creation, maintenance and monitoring of the internal control system;
- an officer of the Company appoints a competent employee from among top managers to be responsible for taking any and all management decisions related to development and introduction of software;
- an officer of the Company takes on his own all the management decisions to the extent of development and introduction of software;
- an officer of the Company evaluates adequacy and results of development and introduction of software;

- an officer of the Company accepts responsibility for operation of systems and data used or generated by systems.

3) Obtaining of services of evaluation and development of internal control systems and risk management system of the Company shall not create a threat of independence of the external auditor provided that personnel of the external auditor fails to discharge management functions;

4) Legal services – obtaining by the Company of legal services with respect to questions which do not have any significant influence on financial statements, not a factor which creates an unacceptable risk to independence of the external auditor.

Legal services to be obtained by the Company with a view to get assistance in this or that area (for instance preparation of an agreement, legal consulting, legal due diligence or reorganization recommendations) can create a threat of self-control for the external auditor, however precautionary measures can be taken which are able to mitigate such threat to the acceptable level. Such services shall not provide negative influence on independence of the external auditor provided that:

- members of a group which carry out an external audit do not participate in provision of such services;
- in obtaining consulting services the Company shall take a final decision.

20. If assistance to be received by the Company from the external auditor in study of arbitration disputes (for instance expert examination, evaluation of an expected damage or amounts which based on results of a legal dispute the Company can pay or receive, and also assistance with records management, search and preparation of documents for a legal dispute) includes evaluation of a probable result of the legal dispute, which affects amounts or data which must be reported in financial statements of the Company, a threat of self-control can arise for the external auditor. Significance of the threat of such factors such as:

- 1) significance of an amount which is an object of dispute;
- 2) extent of subjectivity in an object of dispute;
- 3) nature of a service to be provided by the Bank.

21. If functions used by the external auditor imply taking management decisions on behalf of the Company, threat created thereby cannot be mitigated to the acceptable level through application of any precautionary measures. In such case, the Company must not receive from the external auditor services of such type.

22. Services to be received by the Company from the external auditor must not violate principles of objectivity and confidentiality which can be created:

- 1) when the external auditor acts as a competitor to his audit company or has a joint venture or similar associations, in which most of the participants are competitors of the audit company;
- 2) when the external auditor provides services to the Company and other organizations interests of which conflict with the interests of the Company, or which are in a state of disputes and discussions with each other on issues, operations and problems.

#### **Chapter 4. Provision of Information About External Auditor to the Audit Committee of the Board of Directors of the Company**

23. At least once a year, an executive officer of the Company in charge of accounting and interaction with the external auditor shall provide information for a previous reporting year to the Audit Committee of the Board of Directors of the Company, including with respect to the following:

- 1) volume of other services subject to the audit laws provided by the external auditor of the Company (in the breakdown of different categories of services);
- 2) remuneration (for each individual service and in the aggregate) paid by the Company to the external auditor for provision of such services.

#### **Chapter 5. Rotation of the Project Partner In Conduct of External Audit**

24. In accordance with the international practice, the external auditor must observe a principle of rotation of the project partner (with primary responsibility for audit) every five years.

If, subject to the laws of the Republic of Kazakhstan and in accordance with the procedure provided for in a bylaw of the Company regulating procurement of goods, works and services, an external auditor is selected who performed an external audit in a previous year, such an external auditor shall prepare a succession plan for the project partner, which shall be submitted to the Audit Committee of the Board of Directors of the Company.

Preparation of a succession plan for a project partner shall not be required if a selected external auditor is different from the previous one.

#### **Chapter 6. Hire by the Company of Employees of External Auditor**

25. In case if it is planned to appoint (elect) to the position of a member of the Management Board, Managing Director or Chief Accountant of the Company a person who participates in compulsory audit of the Company as an employee of the external auditor or who has taken part in compulsory audit of the Company as an employee of the external auditor for two years preceding a date of his appointment (election) to the Company, in order to avoid a conflict of interest, it shall be required to obtain a preliminary approval of the Audit Committee of the Board of Directors of the Company for a prospective candidate for further consideration of the issue of his appointment (election).

#### **Chapter 7. Requirements to Provision and Publication of Audited Financial Statements**

26. Upon completion of audit of financial statements of the Company, the external auditor shall submit an audit report and a letter to the management of the Company within the timeframe stipulated by the audit agreement.

27. The Company must submit to the Sole Shareholder a counterpart or a copy of the audit report as a hard copy and on electronic media with attachment of the audited annual financial statements of the Company, including an explanatory note (disclosure) to the financial statements of the Company, as well as a letter to the management after it is received from the external auditor in accordance with terms and conditions prescribed by the Sole Shareholder or internal regulatory documents of the Company.

28. The Company shall release its financial statements in mass media (including on the Company's website) in accordance with the laws of the Republic of Kazakhstan.

#### **Chapter 8. Annual Confirmation from External Auditor**

29. The external auditor shall confirm to the Audit Committee of the Board of Directors of the Company (at least once a year) that:

- independence of the external auditor has been preserved;
- the external auditor and his partners have no financial interests in the Company;
- members of the audit group have no financial interests in the Company;
- except for cases stipulated by this Policy, there are no other cases of rendering services between the Company and the external auditor,
- remuneration paid by the Company to the external auditor is not paid on the basis of emergencies;
- there are no disputes between the Company and the external auditor.

#### **Chapter 9. Final Provisions**

30. Issues not regulated by this Policy shall be governed by the laws of the Republic of Kazakhstan, the Charter of the Company, decisions of the Sole Shareholder, the Board of Directors, the Audit Committee of the Board of Directors of the Company and other internal documents of the Company.

In case of any conflict between certain provisions of this Policy and the laws of the Republic of Kazakhstan, provisions of the laws of the Republic of Kazakhstan shall apply.