

Kcell JSC Regulation on Internal Audit Service

1. General provisions

1. This Kcell JSC Regulation on the Internal Audit Service (Regulation) sets the procedure of work for the Internal Audit Service (the IAS) of Kcell JSC (Company), as well as defines the purpose, functions, rights and responsibilities of the IAS, the main requirements for the IAS structure and the qualifications of its employees, remuneration and bonus payment, making decisions on imposing disciplinary penalties on the IAS employees, as well as the authorities of the IAS head and interaction with the Company's Board of Directors (BoD), the Board of Directors Committee for Internal Audit (Audit Committee), the Management Board of Kcell JSC (Management Board), the Company's subsidiaries/affiliates and other organizations.
2. The IAS organizational chart shall be approved by the Board of Directors and incorporated into the organizational chart of the Company.
3. The IAS is headed by its director. The term of office, appointment of the director and members of the IAS (employees) as well as termination of their powers, the size and terms of remuneration and bonus payment to the IAS director and employees are determined by the Board of Directors. The Audit Committee gives its recommendations on the above issues to the Board of Directors.
4. The employment contracts with the IAS director and employees are concluded based on the relevant decision of the Board of Directors and are signed by the Chairman of the Management Board in accordance with the labor laws of the Republic of Kazakhstan.
5. Job duties, rights and responsibilities of the IAS directors and employees are defined in the their job descriptions developed on the basis of these Regulations, decisions of the Board of Directors, employment contracts, policies and procedures the Company and are approved by the Chairman of the Management Board following the prior approval by the Chairman of the Audit Committee.
6. The carries out its activities in accordance with the legislation of the Republic of Kazakhstan, the Company Charter, decisions of the Board of Directors and the General Meeting of the Company, this Regulation and other internal documents of the Company. In its activity the IAS is guided by the principles of independence, integrity, competence and professionalism, determined by the Code of Ethics of the Institute of Internal Auditors, quality standards and standards of internal auditors, established by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

2. Status of the Internal Audit Service

7. IAS is a function that directly reports and is accountable to the Board of Directors and is responsible to organize and carry out internal audit across the Company. The Audit Committee oversees the IAS activities.

8. The IAS shall perform the tasks and functions assigned to it while acting as an independent body that is free from any influence of circumstances, the Company employees and other persons in order to provide unbiased and objective judgments.
9. In order to comply with the principles of objectivity and integrity while carrying out their duties, the IAS employees shall not:
 - be involved in any activities that may subsequently be subject to internal audit or engage in the audit of activities or functions they performed during the period being audited;
 - perform duties in the Company other than those related to the IAS;
 - engage in any activity that could affect or can be perceived as prejudicing the impartiality of assessment of the IAS director and employees;
 - be part of the committees or other working groups/commissions set up by the Company as voting members. The IAS director or employees may only be involved as non-voting consultants or spectators;
 - direct the actions of employees of the Company and its subsidiaries and affiliates, except when such employees are appointed in accordance with the established procedure to participate in the audit assignment;
 - use confidential information for their personal advantage or any other purposes that go against the laws of the Republic of Kazakhstan or that may cause damage to the Company;
 - accept gifts from or use the services of the Company employees, which may damage or may be perceived as causing damage to the independence, objectivity and impartiality of internal audit.
10. The IAS's performance is evaluated by the Board of Directors. The Audit Committee is entitled to provide recommendations to the Board of Directors.
11. The IAS employees shall be governed by the Company's policies and procedures, except for those that cannot be applied to IAS in accordance with its status, the Charter of the Company and this Regulation.

3. Mission and Purpose

12. The IAS mission is to assist the Board of Directors and the Management Board of the Company in carrying out their duties to accomplish the strategic goals of the Company.
13. The main purpose of the IAS is to provide the Board of Directors with independent and objective assurance¹ and consultations² aiming to improve the risk management, internal control and corporate governance processes in the Company.

4. Objectives and Functions

14. The IAS's main objectives include:
 - assessment of reliability and efficiency of the internal control system in the Company;

¹ Provision of assurance - an objective analysis of the audit evidence at hand in order to provide an independent assessment of risk management, internal control and corporate governance processes in the Company.

² Consultation - providing the Board of Directors, the Management Board and the business units of the Company and its subsidiaries/affiliated organizations with advice, recommendations, opinions, reports, etc., aimed at assisting and improving the financial and economic performance of the Company, as well as corporate governance, risk management and control processes in place.

- evaluation of fraud risk³ and efficiency of fraud risk management in the Company.
 - evaluation of the improvement of the corporate governance process in the Company;
 - assessment of reliability, completeness, objectivity of the accounting system and reliability of financial statements;
 - assessment of the Company's compliance with the laws of the Republic of Kazakhstan and assessment of the adequacy of the systems and procedures in place to ensure compliance with these requirements (compliance control);
 - evaluation of the rationality and efficiency of the use of Company's resources and of the methods (means) used to ensure safekeeping of the Company's property;
 - methodological support for the internal audit functions in the Company's subsidiary organizations and affiliates, including audit planning, defining qualification requirements for employees, recruitment, assessment of the performance of internal audit services/audit commissions (based on the decision of the Board of Directors), assessment of the efficiency and effectiveness of managers and employees of internal audit services/audit commissions.
15. Within the scope of the tasks assigned to it and in accordance with the established procedure, IAS shall:
- assess the adequacy and effectiveness of the Company's internal control system;
 - assess the risk of fraud and the effectiveness of fraud risk management in the Company. Detecting and investigation of fraud is not among the IAS's main functions. The IAS employees may be involved in fraud investigations as consultants/observers and are not responsible for making management decisions based on the investigations findings;
 - assess the implementation of and compliance with the accepted principles of corporate governance, relevant ethical standards and values in the Company;
 - verify compliance with the requirements of the laws of the Republic of Kazakhstan, international agreements, internal documents of the Company, as well as implementation of orders of authorized and oversight bodies, decisions of the Company's bodies, and evaluate the systems and controls established to comply with these requirements;
 - evaluate the adequacy of measures applied by the Company's business units to ensure accomplishment of their objectives as part of the Company's strategic goals;
 - assess the effectiveness of receipt by the relevant bodies and divisions of the Company of the information related to risk management and internal control;
 - follow-up on the implementation of the IAS's recommendations given in accordance with the established procedure;
 - participate in the development of the Company's internal documents related to internal control and risk management;
 - advise the Audit Committee, Board of Directors, Management Board, business units of the Company and its subsidiaries/affiliates on the organization of internal control systems, risk management and internal audit;

³ Fraud - illegal actions characterized by deception, concealment or abuse of trust. Fraud does not include actions that are performed under the influence of force or threat of force. Fraud is committed by individuals and entities in order to obtain money, property, services, to evade payment of money or provision of services, or for personal or commercial gain.

- provide recommendations with regard to the professional training, retraining and advanced training of the subsidiaries’ internal audit employees;
- perform internal auditing in subsidiaries/affiliated organizations of the Company pursuant to decisions of the Audit Committee or the Board of Directors of the Company. In which case, the tasks of the IAS specified in paragraph 14 of this Regulation shall also apply to the subsidiaries/affiliated organizations of the Company;
- perform an audit of the Company's information systems in accordance with the established procedure (in the absence of an IT specialist, IAS may engaging an external consultant);
- perform ad-hoc audits initiated by the Audit Committee or members of the Board of Directors based on the relevant decision of the Audit Committee or the Board of Directors;
- perform other functions assigned to the IAS within its competence.

5. Qualification requirements

16. Qualification requirements for the IAS director:

1) Work experience:

- at least seven years of experience in audit, and/or accounting, and/or finance;
- at least five years of experience in a managerial position and/or experience in the internal audit service (or cumulatively at least five years, with at least two years of experience in a managerial position in the internal audit service);
- knowledge of International Financial Reporting Standards and International Professional Standards of Internal Audit, developed by the Institute of Internal Auditors;
- knowledge of the relevant legislative acts of the Republic of Kazakhstan, including those related to auditing, accounting, taxation;
- knowledge of state and Russian languages.

2) Education⁴:

- higher professional education in economics and finance, and/or accounting and auditing;
- Certified Internal Auditor (CIA) certification;
- and/or ACCA (Association of Certified Chartered Accountants) certificate;
- and/or the Diploma of Certified Professional Internal Auditor (DipCPIA), issued by the Institute of Certified Financial Managers (UK);
- and/or diploma of DipIFR (Russian) (Diploma in International Financial Reporting);
- and/or CIPA (Certified International Professional Accountant) certificate;
- and/or CIMA (Chartered Institute of Management Accountants) Diploma in Business Performance Management.

17. Qualification requirements for the IAS employee:

- higher professional education in economics and finance, and/or accounting and auditing, and/or information technology;
- at least 3 (three) years of experience in audit, and/or accounting, and/or finance, and/or information technology, and/or technical sphere, and/or legal;

⁴ IAS director, appointed before the requirement for additional specialized training came into force, must obtain one of these certificates/diplomas within 2-3 years from the start of training.

- knowledge of international financial reporting standards and international professional standards of internal audit developed by the Institute of Internal Auditors;
- knowledge of legislative acts of the Republic of Kazakhstan related to auditing, accounting, taxation.
- a certificate and/or qualification in auditing and/or accounting and financial management preferable;
- knowledge of state and Russian languages.

6. Rights of the Internal Audit Service

18. In order to implement the tasks set by the Audit Committee and the Board of Directors and to carry out its functions, IAS may:
- 1) get access to personnel, production and other facilities, to all documentation and any other information requested in connection with the internal audit, including information and data constituting commercial and official secrets of the Company;
 - 2) get access to the SAP information system on a permanent basis in passive mode, without the right to enter and edit data stored therein; to the electronic document management system, all archive folders, databases, library/database of working papers (DWP) of business units, etc. for the period of the audit; to the information systems Amdocs Billing, Orga, CODA and others, if necessary;
 - 3) request and obtain materials, draft documents submitted for approval to the General Meeting of Shareholders, Board of Directors, Management Board and receive all orders/minutes of these bodies of the Company;
 - 4) engage the employees of different business units of the Company as well as specialists of the Company's subsidiaries/affiliated organizations to work out the IAS actions plans and to perform certain tasks as per the instructions of the Company Board of Directors;
 - 5) consult with the Company's subsidiaries/affiliated organizations and other business units of the Company on issues that fall within the IAS competence;
 - 6) make proposals to the Board of Directors on improvement of the internal audit procedures and methods, change of the control system and governance policy of the Company;
 - 7) participate in preparation and implementation of programs and projects of the Company related to the IAS areas of activity;
 - 8) participate in training, retraining, advanced training courses for the Company employees and certification programs for internal auditors;
 - 9) if IAS employees do not have sufficient knowledge and skills to perform the entire or part of the audit assignment, engage consultants or use outsourcing/co-sourcing in the internal audit in accordance with the established procedure;
 - 10) carry out internal audit of the Company's subsidiaries/affiliates pursuant to the decisions of the Board of Directors of the Company;
 - 11) initiate an additional (ad-hoc) audit with the consent of the Chairman of the Audit Committee, should there be a need based on the results of the current audit assignment;

- 12) share exchange information and coordinate activities with other internal and external parties providing assurance and consulting services to ensure proper coverage and minimize double work;
 - 13) exercise other rights provided for by the laws of the Republic of Kazakhstan, the Charter of the Company, this Regulations and internal documents of the Company.
19. When auditing the Company's subsidiaries/affiliated organizations, the rights of the IAS stipulated in subparagraphs 1-3, 6 hereof shall also apply to such subsidiaries/affiliated organizations.

7. Responsibilities of the Internal Audit Service

20. IAS is responsible for the proper and timely performance of its functions and assignments.
21. The IAS director and employees bear personal responsibility for a failure to properly and timely perform their functions and tasks assigned to them in accordance with this Regulation, the legislation of the Republic of Kazakhstan, the employment contract, job descriptions and other internal documents of the Company.
22. Professional attitude to work does not mean the IAS employees have no right to error.

8. Authorities of the Head of Internal Audit Service

23. The duties, rights and responsibilities of the IAS director are defined in his job description.
24. In accordance with the established procedure, the IAS director:
 - 1) manages the IAS activities, organizes its work and creates necessary conditions for the IAS employees to effectively perform their duties;
 - 2) submits proposals to the Board of Directors of the Company concerning development and improvement of the performance of IAS, the Company and its subsidiaries/affiliated organizations;
 - 3) acts on behalf of IAS when interacting with the business units of the Company and subsidiaries/affiliated organizations on matters that fall within the competence of the IAS and has the right to initiate negotiations with them;
 - 4) reviews and signs drafts of internal documents of the Company, orders and other documents that fall within the competence of the IAS;
 - 5) reviews and signs correspondence on matters within the competence of the IAS sent to the Company's business units, other legal entities and individuals;
 - 6) prepares the annual audit plan and controls its execution;
 - 7) develops internal documents of the Company and recommendations on internal audit and other documents related to the IAS activity;
 - 8) ensures that IAS carries out its activities while abiding by the common basic principles and procedures of Internal Audit approved/recommended by the Audit Committee or Board of Directors of the Company;
 - 9) submits the IAS activity reports to the Audit Committee or the Board of Directors;
 - 10) on a regular basis evaluates the relevance of the IAS objectives and functions in order to achieve its goals;
 - 11) makes proposals to the Board of Directors with regard to the IAS structure and terms of office, hiring and termination of their powers, the IAS procedure of work, the size and terms

- of compensation and bonus payment, organizational and technical support of the IAS after such proposals have been approved by the Audit Committee;
- 12) takes measures to improve expertise and professional skills of the IAS employees;
 - 13) on a regular basis, ensures rotation of the IAS employees and their responsibilities in order to prevent conflict of interests as well as to provide exchange of experience;
 - 14) has the right to initiate meetings of the Board of Directors and/or Audit Committee to discuss the issues related to the IAS areas of competence;
 - 15) has the right to initiate meetings with the Chairman of the Audit Committee or the Board of Directors of the Company to coordinate the activities related to informing the members of the Board of Directors and determine the extent to which information materials meet the needs of the Audit Committee or the Board of Directors;
 - 16) takes decisions on all matters within the IAS competence;
 - 17) participates in meetings and events held by the Management Board relating to the improvement of internal control, risk management and corporate governance as well as other issues attributed to the IAS competence without the right to approve decisions of the Management Board.

9. Disciplinary sanctions

25. For violation of labor discipline, failure to perform or improper performance of their job duties, the IAS director and employees may, based on the decision of the Audit Committee or the Board of Directors, be subjected to disciplinary penalties in the manner prescribed by the legislation of the Republic of Kazakhstan. Such being the case, a relevant company order shall be issued and signed by the Chairman of the Management Board or his authorized representative.
26. Material responsibility of the IAS director and employees and the order of compensation for damage caused (if any), as well as procedures for imposing disciplinary penalties, are determined in accordance with the legislation of the Republic of Kazakhstan and Company policies and procedures.

10. Provision of information

27. IAS shall submit activity reports to the Audit Committee.
28. Such report shall include:
 - 1) brief conclusions on the results of audits conducted in accordance with the IAS audit plan and given recommendations (if necessary, to be attached with supporting materials);
 - 2) information on other activities (work) carried out by the IAS in reporting period (results of unscheduled audit assignments, follow-up on the recommendations from the external auditors, IAS's recommendations, information on trainings);
 - 3) conclusion on the results of audit activities in relation to the set objectives and scope of audit, summarizing the results of audit activities in the reporting period.
29. The IAS activity reports are initially reviewed by the Audit Committee and then approved by the Board of Directors.

30. The IAS director shall on a regular basis provide the Audit Committee with information on how the Management Board of the Company coordinates and oversees other control and management functions (risk management, internal control, security, business continuity, external audit, etc.).
31. The IAS activity reports may be disclosed to third parties, including state and law enforcement bodies, only with the prior approval of the Audit Committee through the procedure established by the laws of the Republic of Kazakhstan.

11. Interaction of the Management Board of the Company

32. Interaction between IAS and the Management Board of the Company shall be based on the principle of independence of the IAS, as the level of organizational and functional independence of the IAS has a direct impact on the objectivity of the internal audit findings.
33. Within the frames of interaction with the Management Board, IAS:
 - 1) shares the Annual Audit Plan approved by the Audit Committee with the Management Board of the Company in order to inform and obtain audit proposals and advice;
 - 2) provides the Management Board with the audit reports/conclusions based on the audit assignments.
34. The Management Board of the Company shall:
 - 1) create an effective control environment across the Company;
 - 2) through the established procedure, ensure that costs associated with education and training on specialized topics and programs are included in the Company budget;
 - 3) based on decision of the Audit Committee or the Board of Directors, ensure availability of outsourcing/co-sourcing, consulting services for any internal audit activities;
 - 4) provide administrative, organizational and technical support to the IAS.
 - 5) assist the IAS in involving the employees of the Company or its subsidiaries/affiliated organizations as independent experts to provide consultations on specialized issues;
 - 6) review the reports, recommendations, conclusions provided by the IAS, develop and approve roadmaps to implement the IAS recommendations and report on their implementation.
35. The Management Board may not interfere with the IAS activities.

12. Compensation and motivation

36. The size of remuneration for the IAS employees must provide their independence from the Management Board of the Company, and the terms of compensation and bonus payment to the IAS employees are decided by the Board of Directors.
37. Payment of compensation to the IAS employees is made in accordance with the terms of their employment contracts and internal documents of the Company.
38. Level of compensation for the IAS director shall not be less than the average remuneration of a business unit manager of the Company.
39. Level of compensation for the IAS employees shall not be less than the remuneration of the Company's qualified personnel.
40. The IAS employees are entitled to the social support, guarantees and compensational payments in accordance with the internal documents of the Company.

13. Advanced training

41. The IAS employees must develop their professional knowledge and skills on an ongoing basis through participation in annual programs that focus on training, retraining, professional development of the Company employees as well as internal auditor certification programs.
42. The Management Board of the Company must encourage the IAS employees to improve their knowledge and skills, by making sure that all costs associated with their training and development on specialized topics and programs suggested by the IAS director as part of the continuous professional development plan, are included in the Company's budget in accordance with the relevant policies and procedures of the Company.
43. In the IAS training plan, priority should be given to the training and professional development on the procedures and methods of internal audit, accounting and financial reporting, internal control systems, risk management, corporate governance and major business processes of the Company.
44. Requests for training/advanced training and other procedures related to this process are initiated and submitted in accordance with the Company's policies and procedures.

14. Organizational and technical provisions

45. IAS must be provided with the necessary organizational and technical conditions for the proper and effective performance of its duties:
 - 1) the IAS office must be located at the central office of the Company;
 - 2) each IAS employee must be provided with a modern personal computer at his/her workplace as well as a portable computer (laptop);
 - 3) the IAS employees must be provided with necessary office equipment (printer, scanner, projector, etc.), as well as reference and periodical literature.
46. The amount of travel expenses (per diem, accommodation, travel expenses to and from the place of business travel) for the IAS employees is determined in accordance with the Company's policies and procedures.

15. Performance appraisal

47. The IAS performance shall be assessed to ensure it is in line with the Definition of Internal Audit, the International Internal Audit Standards, the Code of Ethics of Internal Auditors, as well as to evaluate the effectiveness and efficiency of internal audit and to identify opportunities for improvement.
48. Procedures and requirements for the assessment of IAS, its director and employees are set forth in the IAS internal documents taking into account the International Internal Auditing Standards, recommendations and corporate standards of the Company related to appraisal of the IAS performance as well as internal documents of the Company that govern performance appraisal of the Company employees.

16. Final provisions

49. This Regulation may be amended and supplemented from time to time pursuant to the Board of Directors decisions, including those initiated by the Management Board or the Audit Committee.

50. External (independent) assessment of the IAS shall be performed at least once every five years by an independent external expert.