

AUDIT COMMITTEE

STATEMENT BY THE CHAIRMAN OF THE AUDIT COMMITTEE



In 2020, KMG's Annual Report was prepared in a much shorter timeframe and approved as early as in April 2020, while previously the report was only approved in July or August of the year following the reporting year. During the reporting period, the Audit Committee engaged Ernst & Young Kazakhstan LLP to audit internal controls and test payroll across KMG Group.

I would like to thank all members of the Committee for their contribution. I am confident that their expertise will be valuable to the work of the Audit Committee in driving KMG's performance and financial stability.

Christopher Walton

Chairman of the Audit Committee
Independent Director

The Committee continued to monitor the Company's system of internal control, risk management and performance across key functional areas as well as reviewing and challenging as appropriate reports and key decisions made by management. The Audit Committee met the expectations and functional responsibilities set by the Code and Regulations on the Audit Committee, as well as resolutions of KMG's Board of Directors.

In its turn, the Committee paid particular attention to reports from the management and the external auditor on material accounting matters and decisions. Quarterly updates help us maintain an informed dialogue on the reliability, balance and clarity of KMG's financial statements.

KEY ISSUES REVIEWED BY THE AUDIT COMMITTEE IN 2020

- ◆ Preliminary approval of KMG's consolidated annual financial statements for the year ended 31 December 2019 and the independent auditors' report on the audit of KMG's consolidated financial statements for the year ended 31 December 2019
- ◆ Preliminary approval of KMG's standalone annual financial statements for the year ended 31 December 2019 and the independent auditors' report on the audit of KMG's standalone financial statements for the year ended 31 December 2019
- ◆ Approval of regular Progress Reports on the implementation of the 2019–2020 Detailed Action Plan to Improve Corporate Governance at KMG
- ◆ Review of KMG's Comprehensive Business Continuity Plan
- ◆ Performance report of the Internal Audit Service for 2019
- ◆ Approval of the Strategy of KMG's Internal Audit Service for 2020–2022
- ◆ Quarterly reports on calls and e-mails via Deloitte's hotline and other channels
- ◆ Preliminary approval of KMG's Annual Report 2019
- ◆ Approval of the Staff Schedule of KMG's Internal Audit Service and the Employee Pay Table
- ◆ Approval of advisory services. For example, in 2019, the Internal Audit Service (IAS) audited the oil metering process at KMG subsidiary, JSC Embamunaigas ("EMG"). Following a review of the audit results, the Internal Audit Service ordered forensic consulting services to investigate oil metering issues at EMG on behalf of the Audit Committee of KMG's Board of Directors. KPMG Tax and Advisory LLP confirmed the discrepancies reflected in the IAS report on the results of the audit of EMG's oil metering process and identified additional discrepancies and risks. Following the review of the report, KMG took a number of remedial measures.
- ◆ Approval of KMG's risk appetite statement, Risk Register, Risk Management Action Plan, a risk map, risk tolerance levels and KMG's Key Risk Indicator Register for 2021
- ◆ Approval of the Annual Audit Plan of KMG's Internal Audit Service for 2021
- ◆ Progress report on the measures of the Detailed Action Plan to Improve Corporate Governance (regular)
- ◆ Independent assessment of the Internal Audit Service (IAS)

An independent external assessment of KMG's Internal Audit Service was performed in 2020 in accordance with International Standards for the Professional Practice of Internal Auditing. KPMG Tax and Advisory LLP, one of the "big four" companies, won the public tender. An independent external assessment of the Internal Audit Service's compliance with the International Standards for the Professional Practice of Internal Auditing, international best practices, the Regulations on KMG's Internal Audit Service, the Company's Code of Ethics and other applicable external and internal regulations governing internal audit functions found 100% compliance with the standards. Therefore, the activities of the Internal Audit Service were found to be fully compliant with the requirements of the standards.

According to the IA-CM maturity model assessment, the highest level (Level 5 – Optimising) was assigned to four out of six elements:

- ◆ People management
- ◆ Services and Role of IA
- ◆ Organisational relationships and culture
- ◆ Governance structures

Members as at 31 December 2020:

1. Christopher Walton – Chairman of the Committee since September 2020
2. Timothy Miller – member of the Committee since September 2020
3. Philip Holland – member of the Committee since September 2020

In 2020, the Audit Committee held

9 MEETINGS

and reviewed

108 ISSUES.

Attendance of the Committee's meetings by its members in 2020

Meeting No. and date	Committee member					
	P.J. Dayer	L.M. Palha	S.J. Whyte	C.J. Walton	P.M. Holland	T.G. Miller
1/20 11 February 2020	+	+	+			
2/20 3 March 2020	+	+	+			
3/20 1 April 2020	+	+	+			
4/20 27 May 2020	+	+	+			
5/20 2 June 2020	+	+	+			
6/20 29 June 2020	+	+	+			
7/20 6 October 2020	Resigned from the Committee	Resigned from the Committee	Resigned from the Committee	+	+	+
8/20 19 November 2020	Resigned from the Committee	Resigned from the Committee	Resigned from the Committee	+	+	+
9/20 8 December 2020	Resigned from the Committee	Resigned from the Committee	Resigned from the Committee	+	+	+
Interest, %	100	100	100	100	100	100