

BOARD COMMITTEES

THE AUDIT COMMITTEE

The Audit Committee supports the Board of Directors in supervising our financial and economic activities, the reliability and efficiency of the internal control and risk management system, the implementation of corporate governance standards, the independence of the external and internal audit process and compliance with the laws and regulations of the Republic of Kazakhstan. The Audit Committee was created in March 2008.

Composition:

Dmitry Larionov
Chairman of the Committee

Lord Thomas Alexander Hesketh
Member of the Committee

In 2018, the Audit Committee held nine in-presencia meetings. Committee member participation information can be found on page 51.

Role and responsibility

The following issues fall within the remit of the Audit Committee:

- › developing recommendations for the Board of Directors on the appointment or change of the external Auditor, determining the amount paid to the external Auditor, evaluating the quality of services rendered by the external Auditor and obtaining related services from the external Auditor;
- › developing recommendations for the Board of Directors on the appointment and dismissal of the Head and employees of the Internal Audit Service;
- › holding meetings with external and internal Auditors without the presence of members of Company management; and
- › investigating any other issues that fall within the Committee's remit.

Activities in 2018

Key matters discussed include:

Internal Audit Service

- › annual and quarterly reports and the annual audit plan for 2019;
- › implementation of the Strategic plan of the Internal Audit Service;
- › quarterly performance evaluation;
- › amendments to the performance evaluation procedure;
- › amendments to job descriptions, proposed staff changes and training budgets;
- › 2018-2019 Internal Audit Service remuneration and compensation packages.

External Audit

- › External Audit reports on the status of annual financial statements, the annual financial statements and Management Report, condensed interim financial statements for the six-month period ending 30 June;
- › recommendations made by an independent external consultant regarding the efficiency of corporate governance;
- › report on litigation, state inspections and audits.

Risk management and internal control

- › changes to the Risk Management Policy and Methodology on evaluation of the effectiveness of the risk management system;
- › risk register and risk map for 2018, as well as the reports on realised risks;
- › change of the Company's functional currency;
- › amended Methodology on evaluation of the effectiveness of the internal control system;
- › assurance map.

Internal processes

- › changes to the Accounting Policy;
- › new Code of Conduct.

Priorities for 2019

Key matters for discussion will include:

- › annual financial statements;
- › critical accounting policies and regulatory and accounting initiatives;

- › performance of the external Auditor;
- › internal and independent audit reports on governance, internal control and risk management systems, approval of the related policies and procedures;
- › annual Audit Plan, policies, regulations and work procedures, structure and budget, IAS staffing and qualification requirements, remuneration and bonuses;
- › internal policies and procedures around the Company's legal compliance;
- › effectiveness of anti-corruption policy and speak-up policy;
- › revision of the Audit Committee regulations.

Risk management and internal control

The Audit Committee acts in the interests of Shareholders and provides oversight support to the Board of Directors concerning the reliability and efficiency of the risk management system through the following responsibilities:

- › review of reports on changes to the Company's risk map on a semiannual basis;
- › review of changes to the risk register;
- › review of reports on key risks;
- › annual review of the risk appetite and semiannual review of reports on realised risks; and
- › review of reports on compliance with regulatory requirements and any significant deviations from the standard risk management process.

Internal audit

Mission and functions

Air Astana's Internal Audit Service (IAS) was created in December 2007 by a decision of the Board of Directors.

The IAS organises and carries out internal audits and reports directly to the Board of Directors. Supervision of the IAS is carried out by the Audit Committee in accordance with internal documents governing its activities.

The appointment and dismissal of the Head of the IAS falls within the remit of the General Meeting of Shareholders. The appointment and dismissal of IAS employees is within the remit of the Board of Directors.

The IAS's mission is to provide assistance to the Board of Directors and the Company President in performing their duties to achieve the Company's strategic goals through the provision of independent and objective assurance and consulting activities designed to add value and improve the effectiveness of the following areas:

- risk management system;
- internal control system; and
- corporate governance system.

The IAS performs the following functions:

- evaluation of the adequacy and performance of internal controls within the Company's corporate governance framework, operational (production and financial) activities and its information systems with regard to:
 - achievement of the Company's strategic objectives, efficiency of its activities and adopted programmes;
 - reliability and completeness of information on the Company's activities;
 - rational and efficient use of the Company's resources and methods of safeguarding the Company's assets;
 - compliance of established control systems with the requirements of legislation, normative documents, internal documents and resolutions of authorised bodies and Company bodies (compliance control).
- evaluation of the Company's corporate governance system and principles, and their compliance with the Company's ethical standards and values;
- evaluation of fraud risk and the effectiveness of fraud risk management;
- evaluation of the implementation and efficiency of risk management methodologies and procedures;
- audit of the Company's information systems;

- verification of compliance with the legislation of the Republic of Kazakhstan, international agreements, internal documentation and the implementation of instructions from authorised bodies, resolutions of the Company's bodies and the evaluation of systems developed to follow these requirements;
- consulting the Board of Directors, the executive body and the Company's structural bodies on further improvement of internal control, risk management, corporate governance and the internal audit function;
- conducting unplanned audits;
- monitoring the implementation of the external Auditor's recommendations;
- follow-up oversight over the implementation of IAS recommendations; and
- other functions assigned to the IAS within the limits of its remit.

Based on its evaluations and audits, the IAS issues recommendations (including those directed at the improvement of internal control systems, risk management systems, processes and principles of operations) and comments on any issues within its remit.

Audit process

The IAS operates in accordance with the Audit Plan approved by the Board of Directors. Its activities include assessments of the performance of the internal control system, risk management and corporate governance.

During its work, the IAS is guided by regulations on the IAS and methodological guidelines for the organisation of internal audits, as well as International Standards for the Professional Practice of Internal Auditing.

The IAS processes requests from various Company departments and publishes information on the Company's intranet. Requests can include the provision of consultations or advice on issues related to internal control systems, risk management, accounting, et cetera.

Compliance with standards

IAS activities conform with International Standards for the Professional Practice of Internal Auditing, which were confirmed by KPMG Tax and Advisory LLP, a qualified independent external consultant in April 2016.

External assessments of IAS activities are performed in two areas of the standards (quality standards and performance standards) and best international practice.

According to the most recent report, IAS activities fully comply with 48 international professional standards for internal audit.

In the framework of the most recent assessment, the maturity level of IAS activities in regard to international practice was characterised as 'progressive', the highest level of maturity according to KPMG's methodology.

External audit

The external Auditor adheres to International Standards on Auditing and the International Financial Reporting Standards for rendering audit services.

The current practice of selecting an external Auditor for Air Astana involves a set of procedures for selecting an Auditor that precede the signing of an agreement for rendering audit services, in accordance with Air Astana Procurement Regulations approved by the Board of Directors. This procedure was developed in accordance with the laws of the Republic of Kazakhstan, as well as the Company's Charter, Procurement Regulations and other internal documents.

The Auditor is selected for a period not exceeding three years. The Auditor must develop a succession plan for achieving this result and submit the plan to the Audit Committee for consideration no later than one year before a new external Auditor is selected.

Air Astana's external Auditor for the period of 2017-2019 is KPMG Audit LLP, an independent audit organisation.