

CORPORATE CONTROL

In the event of corporate conflicts, the parties attempt to settle them by negotiation to efficiently protect the interests of KMG and other stakeholders.

In order to be effectively prevented or addressed, corporate conflicts primarily need to be identified as soon and fully as possible, with all corporate governance bodies to act in a consorted manner.

Corporate conflicts are addressed by the Chairman of the Board of Directors assisted by the Corporate Secretary. If the Chairman of the Board of Directors is involved in a corporate conflict, such cases are addressed by the Nomination and Remuneration Committee.

Internal Audit

Internal audits are carried out by KMG's Internal Audit Service (IAS).

The IAS reports and is accountable to KMG's Board of Directors, and is supervised by the Audit Committee of KMG's Board of Directors.

The activities of the IAS are governed by: Kazakhstan's laws; KMG's Charter; resolutions of KMG's governing bodies; internal documents regulating the IAS activities; Regulations on KMG's IAS and Guidelines for KMG's Internal Audits.

The IAS focuses on providing the Board of Directors with independent and objective information to ensure the effective management of KMG and its subsidiaries and associates by employing a systematic approach towards improving risk management, internal control and corporate governance processes.

The annual Internal Audit Plan is developed from a consideration of the principal risks confronting KMG, the audit testing cycle and management requests.

The Internal Audit Plan also accommodates ad hoc requests from KMG's Audit Committee, Board of Directors and management.

To perform its activities in accordance with the annual audit plan, the IAS:

- assesses the reliability and effectiveness of applicable internal controls and risk management procedures
- assesses the reliability, completeness and objectivity of the accounting policy as well as financial statements of KMG and subsidiaries and associates based on such policy
- assesses the efficiency of resource management at KMG and subsidiaries and associates and the methods used to ensure asset integrity
- monitors compliance with Kazakhstan's laws, corporate operational, investment and financial rules and regulations.
- The IAS uses audit results to make recommendations on improving KMG's operations. The IAS consistently monitors and oversees the development and execution of measures to implement its recommendations.
- Internal audit matters reviewed by the Audit Committee at its meetings include:
 - IAS annual performance report
 - IAS quarterly performance reports, including reviews of any material findings identified in audit reports and follow-up on the implementation of internal audit recommendations
 - annual audit plan and amendments thereto
 - KPI scorecards of the IAS head and staff
 - IAS strategic plan
 - IAS budget
 - HR management within the IAS.

The Audit Committee not only monitors the IAS' performance but also facilitates the professional development of the IAS employees and the management of its talent pool.

These matters are covered by the IAS reports and reviewed by the Audit Committee on a quarterly basis.

The high professional level of the IAS employees is a key performance driver for KMG's internal audit function; therefore training and upskilling are prioritised.

Assessments of the internal audit process performance

As required by the IAS quality assurance and improvement programme, following each audit, the audited entity is required to complete a form assessing the IAS' performance. Results of these assessments are consolidated into the IAS quarterly and annual performance reports reviewed and approved by KMG's Audit Committee and Board of Directors.

An independent external assessment of the IAS is performed once every five years in accordance with the International Standards for the Professional Practice of Internal Auditing. In 2020, IAS underwent an independent external assessment of compliance with the International Standards for the Professional Practice of Internal Auditing, international best practices, KMG's Regulations on the Internal Audit Service, the Company's Code of Ethics and other applicable external and internal regulations governing the internal audit function, and was found 100% compliant with the standards.

Therefore, the activities of the IAS were recognised to be fully compliant with the International Standards for the Professional Practice of Internal Auditing.