

Approved by  
the decision of the Board of Directors  
of Air Astana JSC dated  
07 March 2019 (Minutes #193)



**CORPORATE FRAUD PREVENTION  
POLICY  
AIR ASTANA JSC**

Almaty, 2019

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## TERMS AND DETERMINATIONS

**Competitor** – an individual, individual entrepreneur or legal entity providing services or goods similar to the services (works, goods) provided or sold by the Company.

**Conflict of interest** – any situations (or circumstances) in which the personal/private interests or actions of Employees /Officials are in conflict or in potential conflict with Company interests, with an effect/ potential effect on the impartiality of performance of duties and decisions on Company matters.

**Corporate fraud** – action or failure to act by individuals and/or legal entities in order to obtain personal benefits and advantages to the detriment of Company interests, and/or to cause the Company material, and/or non-material damage by deception, dishonesty, false representation or otherwise.

**Corruption** – abuse of power or authority; giving and/or receiving a bribe, commercial bribery or other forms of abuse of position contrary to the legitimate interests of the Company and the state in order to obtain personal gain, such as cash, valuables, other assets or monetizable services, proprietary rights (for third parties, as well), or the illegal provision of any such benefit to an entity by individuals, and any such actions on behalf of or in the interests of the Company or other legal entity.

**Corruption offence** – an action (or failure to act) with elements of corruption for which administrative or criminal liability is established by law.

**Counterparty** – an individual or a legal entity with which the Company has a business relationship, (for example, an agreement on the provision of services / supply of goods, agency agreement, etc.).

**Due care** – a principle based on the concepts of reasonableness and conscientiousness that the Company and its employees shall use in business operations or taking managerial decisions (for example, collection of all necessary and reliable information on the potential counterparty or candidate for a vacant position).

**Employee** - an individual employed by the Company under an employment contract and/or other individuals engaged under an agency or other contract.

**Internal information** – information available to the Officials or Employee by virtue of the official duties, including the official information and commercial secret.

**Material damage** – a real decrease in or impairment of Company assets (including the assets of Company third parties, if the Company is responsible for its integrity) as a result of the misconduct or negligence of a Company Employee; and the cases when the Company's liable for the acquisition and restoration of property or compensation for damage caused by an Employee to third parties.

**Officials** – the President & CEO and the Board of Directors of the Company.

**Personal/private interest** – a possibility of receiving by Official/Employee of an income in a type of money, values, other assets or monetizable services, other property and non-property rights for or the third parties.

**Prevention of corporate fraud** – a set of measures aimed at the identification, prevention and investigation of corporate fraud and removal of their causes.

## **INTRODUCTION**

The Corporate Fraud Prevention Policy of Air Astana JSC (the "Policy") has been developed in accordance with the goals and values of "Air Astana" JSC (the "Company"), as set by internal documents, such as the Code of Ethics and Corporate Governance Code, Internal Financial Control Policy, Employment Regulations, as well as Kazakhstan legislation and international corporate governance practices.

The Company is committed to developing high ethical standards of business conduct, with a zero tolerance to corporate fraud in all its forms and at all levels of Employees, Officials and other third parties.

All Employees and the Officials are responsible for compliance with the principles and requirements of this Policy.

## **1. PURPOSES AND THE SCOPE OF THE POLICY**

- 1.1 The Company understands the need to implement measures to combat corporate fraud ("Fraud"), malpractice and misconduct. For these purposes, the Policy identifies:
  - the definition and types of corporate fraud
  - the main principles of the Company's anti-fraud policy
  - the roles and responsibilities of Company Employees/Officials and Company departments with respect to anti-fraud procedures
  - anti-fraud procedures
  - liability for the actions (failure to act) of all interested persons with respect to corporate fraud
- 1.2 The Company treats any act of fraud very seriously and investigates all cases of alleged fraud. Fraud and other abuses negatively affect the Company value and its shareholders, Officials and Employees, and undermine public trust. In addition, proven fraud cases create an atmosphere of suspicion and lack of confidence, reducing the effectiveness of Company employees' performance.
- 1.3 This Policy applies to all cases of fraud, suspicion of fraud and other unlawful actions involving Company Employees, its Officials and/or Shareholders, other interested persons interacting with Company Employees and/or have business relations with the Company.

## **2. WHAT IS A CORPORATE FRAUD**

- 2.1 Corporate fraud is defined as the actions (or failure to act) of individuals and/or legal entities in order to obtain personal benefit and advantage to the detriment of Company interests, and/or to cause the Company material, and/or non-material damage by deception, dishonesty, false representation or otherwise.
- 2.2 Fraud includes, but not limited to, the following actions:
  - misstatement of financial statements
  - misappropriation of assets

- income or assets obtained as a result of fraudulent and/or other illegal actions
- expenses or liabilities incurred or increased as a result of fraudulent and/or other unlawful actions
- falsification or alteration of documents
- use of internal Company information for personal benefit
- corruption and other forms of misconduct (abuse) etc.<sup>1</sup>

### **3. CULTURE OF FRAUD PREVENTION**

3.1 The Company relies on the following basic principles for corporate fraud prevention:

- the principle of “Zero tolerance” (non-acceptance of any forms and practices of fraud) – the Company considers any practices of corporate fraud to be unacceptable, regardless of the amount of damage and undertakes active anti-fraud measures.
- the principle of "Tone from the top" – the Company’s Officials, heads of departments shall be a model of business conduct, high ethical standards and Zero tolerance of any forms of corporate fraud for the Employees.
- the principle of “Due Care” – the Employees shall owe a duty of due care with respect to counterparties, job candidates and other third parties, by performing due diligence on their reliability, intolerance of corruption and the absence of any conflict of interests with the Company before deciding whether to start or continue business relations.
- separation of incompatible responsibilities - the Company shall ensure a full separation of incompatible duties and shall avoid assigning duties of development, approval, implementation, monitoring and evaluation to one individual;
- prevention of conflicts of interest - the Company considers the late notification of a potential or existing conflict of interest (after an opportunity to influence a management decision is received) as a corporate fraud and takes appropriate action against such individuals.
- unavailability of punishment - the Company has an uncompromising attitude to any forms and practices of fraud and corruption at all levels. The Company takes appropriate actions against individuals found guilty of corporate fraud or violation of the control procedures irrespective of their position, work experience, status and other relationships with the Company.
- monitoring and control - the Company regularly monitors and improves anti-fraud procedures and exercises control over their compliance.
- interaction and cooperation - the Company ensures the coordination of actions of all involved departments, and interaction with state authorities, local government and law enforcement bodies in respect of anti-fraud activities.

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<sup>1</sup> See Appendix 1 to this Policy.

## **4. PROCESS OF CORPORATE FRAUD PREVENTION**

4.1 The Company has developed and implemented a set of measures to identify, prevent, remove indicators and cases of corporate fraud, including the following:

### ***Continual improvement of the control environment***

4.2 Measures to identify and remove early signs of fraud include:

- a. regularly training and testing Employee knowledge of how to prevent corporate fraud, monitoring and improving training systems.
- b. Employees, Officials and Counterparties reporting possible conflicts of interests in good time.
- c. identifying the roles and competences of each Employee/department to differentiate incompatible duties and monitor established restrictions.
- d. developing and implementing procedures to obtain in advance and verify necessary and reliable information about a potential counterparty or employee candidate.
- e. establishing a communication lines, including anonymous, for reporting any violations, in accordance with the Company's Speak-up Policy.

### ***Reporting the signs and cases of corporate fraud***

4.3 Any Employee or a third party who has discovered signs of corporate fraud or other violation of control procedures should notify the Company of the same in accordance with the with the Company's Speak-up Policy.

4.4 The Company encourages Employees and Counterparties to report on a timely basis any concerns related to the alleged violation of the Code of Business Ethics, internal policies and regulations, Kazakhstan legislation, and make suggestions for recommendations and measures to improve fraud prevention.

4.5 The Company guarantees that it will not apply any sanctions, including dismissal, a refusal to pay bonuses to or promote an Employee who reports the signs of corporate fraud, alleged violations of control procedures and other abuses<sup>2</sup> in good faith.

### ***Preliminary verification of information on the signs of corporate fraud***

4.6 The Compliance Control Department [*other compliance division*] shall conduct an initial verification of a report of alleged fraud or other violations of control procedures to determine the feasibility of initiating an internal investigation.

4.7 Preliminary verification of reports shall be conducted if there is an information about fraud, corruption, misappropriation, cash/inventory shortages, damage to material assets, a loss of internal and insider information and other violations of control procedures contained in:

- memos
- claims and judicial documents
- petitions and letters addressed to the Company, including those from Company employees

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<sup>2</sup> If a Company Employee or other individual knowingly provides false information, or by means of reporting corporate fraud or alleged violations attempts to obtain a personal benefit contrary to the interests of the Company, he may be prosecuted under applicable law

- statements of public authorities and local government
  - the mass media
  - reports received in accordance with the Company's Speak-up Policy
  - materials from reviews of financial and economic activities, inventories etc.
  - information from the audit engagements of the Company's Internal Audit Service
  - materials from comprehensive planned and unscheduled inspections, and compliance with inspection requirements established by Kazakhstan legislation
  - other materials or documents
- 4.8 A preliminary verification of the reports shall establish the main circumstances of a violation, including signs of the violation, its main elements and any damage caused.
- 4.9 The timeline and procedure for carrying out a preliminary verification are established in accordance with the Company's Speak-up Policy.
- 4.10 If the initial facts of fraud are confirmed and the need of further verification is identified, the Compliance Officer shall initiate an internal investigation.

***Internal investigation of corporate fraud***

- 4.11 Internal corporate fraud investigations shall be conducted in accordance with Company's Fraud Response Plan.
- 4.12 The purposes of internal investigations are to:
- prove or refute a corporate fraud
  - identify the guilty persons involved in a corporate fraud
  - identify any damage caused to the Company
  - determine the possibility and economic feasibility of compensation for damage caused
  - examine the causes and conditions of corporate fraud
  - take actions to prevent the recurrence of such cases in the future
- 4.13 The results of internal investigations shall be provided to the Company's management to take a decision on disciplinary measures.
- 4.14 If elements of a crime have been identified, including corruption, classed as serious or extremely serious under the Criminal Code of the Republic of Kazakhstan, the investigation materials should be passed to the law enforcement authorities.

***Compensation of damage and liability***

- 4.15 Internal investigations of corporate fraud should result in bringing action against a guilty person and compensation of material damage caused to the Company.
- 4.16 The Company will use an internal investigation to assess the damage and seek compensation for damage from an individual involved in a corporate fraud.
- 4.17 Where justified, compensation shall be paid regardless of whether an Employee is brought to disciplinary, administrative or criminal liability for an action/failure to act that led to damage to the Company, in accordance with the legislation and internal documents.

- 4.18 The Company shall assess the economic feasibility of implementing new / or amending existing measures to prevent fraud, taking into account the cost and benefit of doing so and the adequacy of existing measures.
- 4.19 An Employee found guilty shall pay for damage based on the order of the Company's President, in accordance with the procedure established by internal documents, the Labour Law of Kazakhstan and the decision of law enforcement authorities (if applicable). The order should be issued within one month of the date when the amount of damage caused by the Employee is determined.
- 4.20 If the Employee does not agree to reimburse the damage caused to the Company and/or does not agree with the amount of damage to be repaid, the amount due will be recovered by a court. The head of the Legal Department will determine whether there are grounds for filing a claim to a court.

#### ***Control and audit***

- 4.21 The Company ensures regular external and internal audits of its internal control system, in particular, the accounting and management accounting system, and monitoring of compliance with the requirements of legislation and internal documents, including the principles and requirements established by this Policy.
- 4.22 In the event of fraud or abuse, the Compliance Manager [*other persons in charge for compliance*] will initiate a comprehensive internal investigation at the request of the Officials.

## **5. ROLES AND RESPONSIBILITIES**

- 5.1 The Employees and Officials should strictly observe the principles and provisions of this Policy, the Code of Business Ethics and other internal documents, as well as applicable legislation.
- 5.2 The Employees and Officials have the responsibility to protect assets and comply with the Company's business ethics standards.
- 5.3 In addition, for the purposes of this Policy, the Company defines the following roles and competencies:

#### ***The Board of Directors***

- 5.4 The Board of Directors oversees this Policy and plays a key role in the implementation of control systems to reduce the risks of fraud and misconduct, including by:
- determining the strategy and main directions of the Company's corporate fraud prevention activities.
  - approving the Fraud Prevention Policy, including any amendments thereto.
  - evaluation of the effectiveness of the Company's fraud prevention activities, at least annually

#### ***5.5 The President and CEO of the Company.***

- Approves measures necessary to protect assets and improve internal control systems, including the allocation of relative duties among the Company's departments.
- Makes decisions on the liability of Employees, whose actions caused corporate fraud.



### ***Heads of the Departments***

- 5.6 The heads of the Company departments are responsible for monitoring fraud prevention activity within their departments by:
- assessing the effectiveness of internal control systems;
  - identifying processes and procedures vulnerable to corporate fraud;
  - assisting in preliminary verification or internal investigations and assigning the appropriate representatives of structural units to participate in working groups;
  - assisting working groups that conduct preliminary investigations and/or internal investigations; providing access to premises, facilities and documents necessary for preliminary verification and/or internal investigations;
  - providing information to the Company's management and the Compliance Department [*other compliance division*] on all incidents of proven/alleged acts of fraud;
  - initiating disciplinary measures against Employees involved in corporate fraud and violations of internal control systems, in cooperation with the Human Resources and Legal Departments;
  - monitoring of the effectiveness of fraud risk control procedures; and
  - implementing new control procedures to reduce the risk of recurrence of similar frauds.

### ***Managers of all levels***

- 5.7 Managers of all levels should make every effort to reduce/mitigate the risk of Company Employees committing fraud, by:
- assessing fraud risks inherent in the operational processes for which they are responsible and the effectiveness of existing internal control systems.
  - providing recommendations to improve internal control systems to mitigate fraud risks.
  - reporting on a timely basis to the head of the department and the Compliance Department [*other compliance division*] about all cases of proven/alleged acts of fraud.
  - with the assistance of the Compliance Department [*other compliance division*], increasing awareness among Employees about liability for fraud and this Policy.

### ***The Employees***

- 5.8 Employees must:
- not commit acts (fail to act) that can be objectively regarded as corporate fraud or the deliberate violation of internal control systems.
  - inform their managers if there is a risk of fraud due to weak procedures or ineffective controls.
  - immediately inform direct manager and the Compliance Department [*Other compliance division*] about a potential or existing conflict of interest, of which they are aware.

- inform the Compliance Department [*other compliance division*] and/or Company management of any external interest that may affect their duties.
- be aware of the requirement to promptly inform the Compliance Department [*other compliance division*] (according to the Company's Speak-Up Policy) about signs of corporate fraud in any available way, either verbally or in writing.
- support verification activities, preliminary inspections and internal investigations, including by providing explanations, all necessary documents and information within their competence and in accordance with the procedure established by legislation and internal documents.

### ***The Compliance Department***

5.9 The Compliance Department [*other compliance division*] shall:

- act in accordance with the Compliance Department Regulations [*other compliance division*];
- develop the Company's Policy, as well as principles and measures for corporate fraud prevention;
- initiate and conduct investigations of suspected fraud cases (according to the Air Astana JSC Fraud Response Plan);
- ensure that Employees are aware of this Policy and maintain records;
- conduct annual corporate fraud training and knowledge testing for new and existing Employees; and
- inform Employees, Officials and counterparties about the documents and measures developed for the implementation of this Policy.

### ***The Role of the Internal Audit Service***

5.10 The role of the Internal Audit Service is to:

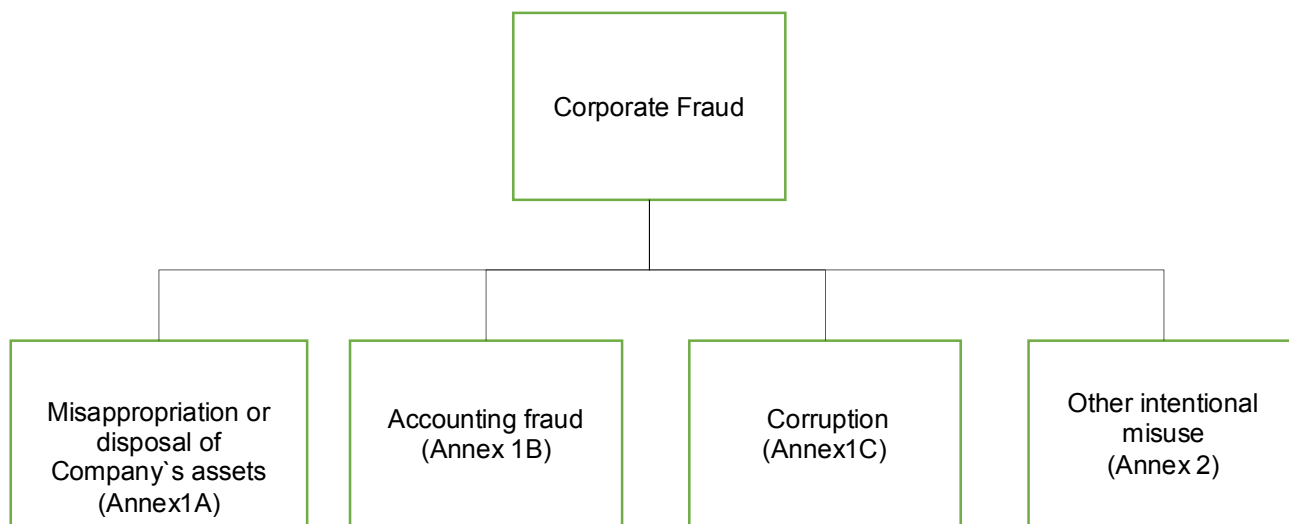
- foster fraud prevention by means of checks and evaluation of the effectiveness of the existing control procedures;
- give consideration to fraud risks in the audit planning cycle;
- contribute to the development of fraud risk reduction strategies; and
- participate in the investigation of suspected fraud cases (in accordance with the Fraud Response Plan).

## **6. APPROVING BODY**

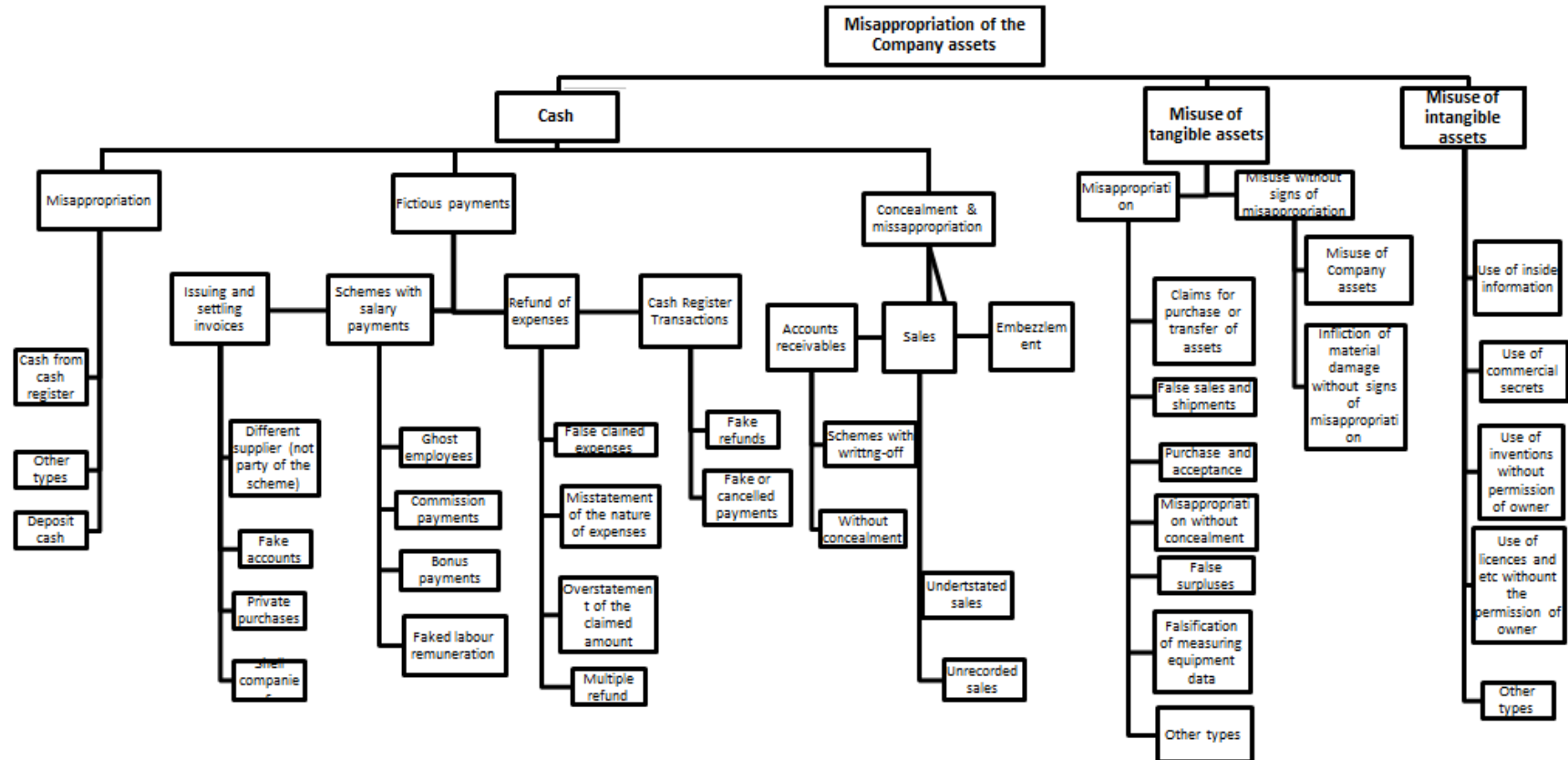
6.1 The Board of Directors approves this Policy, and takes measures to improve it. The Policy will be reviewed and revised as needed.

6.2 The Company's President shall be responsible for the implementation and maintenance of the Policy, as approved by the Board of Directors.

**CHART WITH MAIN ELEMENTS OF CORPORATE FRAUD**



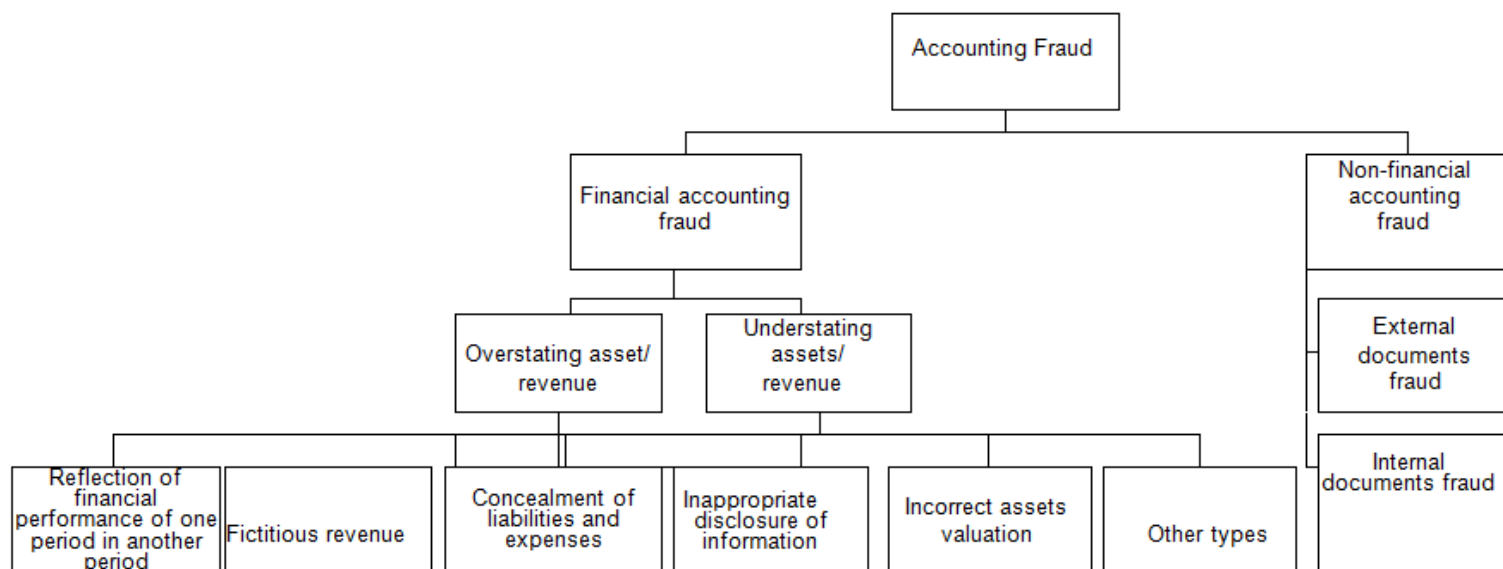
Main elements of “Misappropriation of the Company assets”



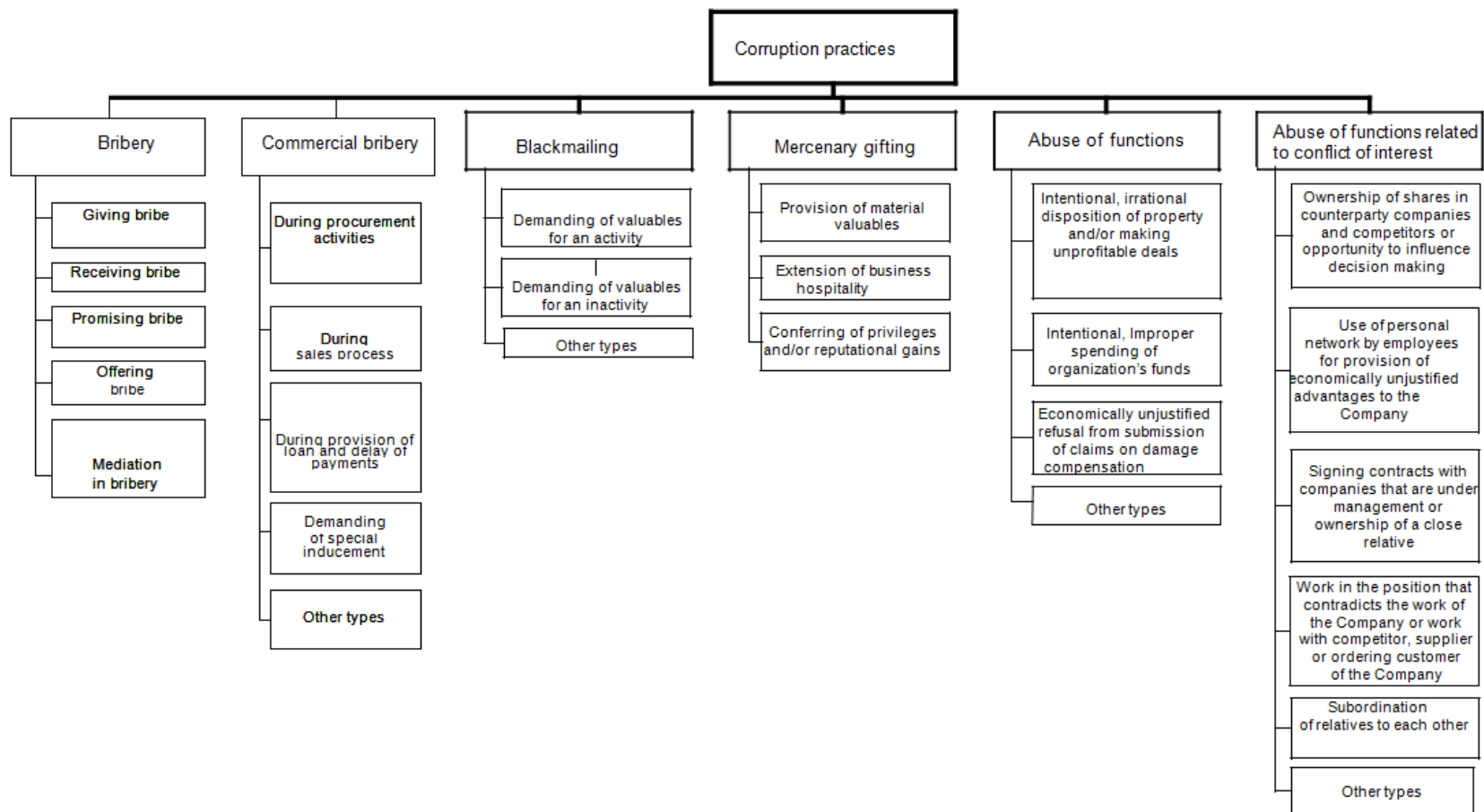
**Annex 1B**

to the Corporate Fraud Prevention Policy Air Astana JSC

Main elements of “Accounting Fraud”



Main elements of “Corruption”



## **EXAMPLES OF CORPORATE FRAUD**

### **Procurement:**

- goods or services are ordered for personal goals or from a particular supplier in exchange for certain gain;
- goods or services are ordered from counterparty who is a connected person or relative by-passing the appropriate procurement procedures;
- prices of goods or services ordered are significantly higher than market prices (20% and more);
- receipt of smaller amount of goods as opposed to amount stated in the invoice but with payment for the full amount from invoice;
- development or representation of counterfeit accounts with which the order has been placed;
- breaches of procurement procedures;
- orders placed for work/service not provided within the agreement
- consulting services agreements that include only general and vague description of services;
- external consultant works in the area different from the area that the signed agreement asks to perform;
- external company is a shell company registered offshore and etc;

### **Payment requests:**

- services that have not been rendered;
- larger amount of services than what have been rendered;
- rebuy of services from external parties that have already been paid or rendered to the Company;
- excessive commissions (20% and more) to external agents or consultants;
- groundlessly large discounts for external providers;
- external company requests to make payments to jurisdiction different from where the services are delivered;

### **Stocks and property:**

- inappropriate use, theft or fraud with stocks and property;
- use of Company`s property with a mercenary motive;

### **Cash and cash receipts:**

- acceptance of cash receipts without appropriate documentation;

- change of documents for concealment of theft of monetary funds;

**Salary:**

- receiving monetary funds for ghost employees, entered into paysheet for payment of money;
- groundless overstatement of working hours for receiving an additional pay for overtime;
- delivery of work unstipulated by employment agreement on the part-time basis in another organization during Company's paid working hours;
- receipt of payment by an Employee from another organization unstipulated by employment agreement during working hours paid by the Company;

**Business trip advance reports:**

- reimbursement request on expenses during business trips where Employee didn't go;
- reimbursement of business trip expenses not intended by work task of the trip;

**Other advance reports:**

- fictitious or overstated reimbursement requests for representation expenses;
- provision of reimbursement requests already paid by third party;
- economically unjustified reimbursement unstipulated by local normative documents of the Company.

**Conflict of interest:**

- work for competitor's organization or counterparty of the Company, supplier or ordering customer of the Company;
- work in the position similar to a position in the Company, including part-time, which can harm interests of the Company;
- signing of agreement with counterparty who is under direct or indirect management or owned (directly or indirectly) by close person and/or relative of an Employee;
- direct or indirect ownership (including mediated) of particular size of a share, fee, contribution, participation interest in registered capital, security papers and other rights (including securities options, property, rights) in counterparty/in relation to counterparty of the Company and/or property of designated person either in competitor's organization/in relation to competitor's organization of the Company and/or its property;
- withholding information about improprieties, conducted by an Employee/representative of counterparty, as a result of business relationships with an Employee of the Company who detected violation;
- employment to the Company or conferring advantages and/or privileges to close people and/or relatives of an Employee of the Company in the absence of required competences of the latter or to the prejudice of more qualified candidates (nepotism);
- external company is connected to Employee of the Company;
- external company became a participant of a deal only due to instruction or insistence of an Employee of the Company;



**LIST OF ACKNOWLEDGMENT  
WITH THE CORPORATE FRAUD PREVENTION POLICY OF AIR ASTANA JSC**

<b>Date</b>	<b>NAME</b>	<b>POSITION</b>	<b>SIGNATURE</b>
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Compliance Officer (“Reviewed”):  
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(Surname, name; signature)