

APPROVED by the decision of
Board of Directors Air Astana JSC
Minutes №114 dated 09 August 2013

**POLICY OF AIR ASTANA JSC
IN RESPECT OF PROCUREMENT OF SERVICES
OF AUDIT ORGANIZATIONS**

Almaty, 2013

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1. Purposes and explanations

1.1 General provisions

1. The purpose of this Policy of Air Astana JSC in respect of procurement of services of audit organizations (hereinafter referred to as “the Policy”) is organizing the efficient activity for procurement of services of audit organizations (including non-audit services provided by audit organizations), implementing unified procedures for the selection thereof, ensuring that auditors of Air Astana JSC (hereinafter referred to as “the Company”) preserve the status of independence while providing audit and non-audit services and preventing a conflict of interests.
2. The main provisions set forth by the Policy provide an opportunity to the Company of engaging auditors for providing specific audit and non-audit services without prejudice to the auditor’s objectivity and independence.
3. The Policy contains a number of governing principles and procedures, which shall be applied and followed on a continuing basis.

1.2 Terms and definitions

The terms and definitions used in this Policy are as follows:

4. **Board of Directors** – Board of Directors of the Company;
5. **Audit Committee** – the Audit Committee of the Board of Directors of the Company;
6. **Internal Audit** – Internal Audit of the Company;
7. **Auditor** – an audit organization created to conduct audit and non-audit services based on concluded contract;
8. **Audit organization** – a commercial organization created to conduct audit activities (audit organizations that have a license to conduct audit activities, have the right to engage in audit activities), as well as its affiliate or international network members rendering professional services in the field of consulting and audit;
9. **Code of Ethics for Professional Accountants** – a code of ethical requirements (ethics standards) for professional accountants issued by the International Ethics Standards Board for Accountants of the International Federation of Accountants.

2. Selection of Auditor

10. The main criteria which identifies selection of the audit organizations are:
1) Quality of services.

The quality of services of audit organizations are identified by the following factors:

- qualification level of the audit firm employees;
- professional experience of employees on the Kazakhstan and international markets;
- promptness in service delivery;
- knowledge of business in the industry (the more clients the audit firm has in a particular industry, the better its understanding of the problems of such industry and the sooner it is able to find optimal solutions of the problems);

- 2) costs.

3. Non-audit services classifications

11. The Company considers that the provision of specific services not related to audit and the level of remuneration for non-audit services paid by an audit organization may result in a conflict of interests or actual or assumed loss of objectivity. Each of an audit organization's potential services is categorized as follows:

Category A: non-audit services, which may affect independence for securing the current obligations of an audit organization and which may be represented by the audit organization according to the Law of the Republic of Kazakhstan "On Audit Activities" and subject to compliance with the conditions provided by the Code of Ethics for Professional Accountants.

Category B: non-audit services, which will result in a loss of independence for securing the current obligations of an audit organization and are considered prohibited services according to the Law of the Republic of Kazakhstan "On Audit Activities" and other restriction provided by the Code of Ethics for Professional Accountants.

12. Category A services may be provided by an audit organization, which conducts compulsory audit according to the Law of the Republic of Kazakhstan "On Audit Activities".
13. In order to provide Category B services, the Company shall not engage an audit organization conducting compulsory audit of the Company.
14. The Audit Committee considers an issue of the correctness of classification of non-audit services as may be necessary.

4. Non-audit services approval

15. Before an audit organization is engaged to provide Category A services, a preliminary approval of the Audit Committee shall be obtained. Within the framework of a request for determining an Auditor, an audit organization shall list reasons why the obtaining of an approval will not jeopardize the audit organization's independence. Materials submitted to the Audit Committee regarding this issue shall include a schedule showing payment for the provision of audit services by the Auditor for a year divided into various categories of services and forecasted remuneration to be paid due to the proposed provision of services.
16. Decisions made by the Audit Committee under paragraph 15 of the Policy are submitted to the Board of Directors for information.

5. Conflict of interests in non-audit services of audit organizations

17. When receiving services for audit of financial statements, the Company shall consider a potential of hazards to an audit organization's independence because of:
 - 1) the nature of services previously received from this audit organization;
 - 2) financial and business relations with this audit organization during or after a period covered by the financial statements.
18. If the Company fails or is not able to take measures to exclude the hazard of self-control for an audit organization to bring it to an acceptable level, the Company may not receive services for audit of the financial statements from such audit organization.
19. An audit organization is prohibited from conducting audit in cases provided by the Law of the Republic of Kazakhstan "On Audit Activities".
20. Services received by the Company from an audit organization shall not violate the principles of objectivity and confidentiality, which may be formed:
 - 1) when the audit organization has joint ventures or similar associations, where most participants are competitors of the Company;
 - 2) when the audit organization provides services to the Company and other organizations the interests of which are conflict or which are in a state of disputes and discussions with each other on issues, operations and problems.

6. Periodic reporting

21. At least once a year the Chief Accountant of the Company with responsibility of accounting and external audit relations, shall provide the Audit Committee with information for the previous period equal to 12 months, including the following:
- 1) volume of audit services rendered by the Auditor;
 - 2) volume of non-audit services rendered by the Auditor (by categories of services);
 - 3) fee (for any and all services) paid by the Company to the Auditor for rendering of such services.

7. Rotation of project partners

22. The Company shall require the Auditor to follow the principle of rotation of the project partner (which bears principle responsibility for the audit) every five years. The Auditor shall develop a succession plan to achieve this and submit it for consideration of the Audit Committee no later than one year prior to such rotation.

8. Hiring of the Auditor's employees by the Company

23. If it is expected to appoint (elect) a person on the position of a Vice-President, Director or Chief Accountant of the Company from among those who participates or has participated in the statutory audit of the Company as the Auditor's employee within two years proceeding to such appointment (election), a potential candidate shall be pre-approved by the Audit Committee prior to proceeding with consideration of his/her appointment (election) in order to avoid a conflict of interests.

9. Annual auditor confirmation

24. The Auditor shall confirm to the Audit Committee (at least once a year) that:
- 1) the Auditor's independence was preserved;
 - 2) the Auditor and its partners has no financial interests in the Company;
 - 3) members of the auditor group has no financial interests in the Company;
 - 4) except for cases provided by this Policy, there are no other cases of provision of services between the Company and the Auditor;
 - 5) no part of remuneration paid by the Company to the Auditor shall be paid on the basis of emergencies;
 - 6) the total amount of remuneration received by the Auditor for each service provided to the Company had no material effect on the Auditor's financial independence from the Company, the threshold of which, according to the ACCA Rules of Professional Conduct shall not exceed 15 percent of the Auditor's total income;
 - 7) there are no disputes between the Company and the Auditor.

25. Audit Committee on an annual basis confirms to the Board of Directors of confirmation given by Auditor mentioned under paragraph 24 of this Policy.

10. Final provisions

26. The present Policy shall be regularly assessed for relevance of the requirements stated herein. When the need arises, the Audit Committee shall review the compliance with the requirements of the Policy, with possible engagement of the Internal Audit for these purposes.