

**JOINT STOCK COMPANY  
"CENTRAL-ASIAN ELECTRIC POWER CORPORATION"**

**"Approved"**  
By the resolution of  
the Audit Committee of  
"CAEPCO", JSC

**"30" November 2011  
(Minutes №4)**

**"Approved"**  
By the resolution of  
the Board of Directors of  
"CAEPCO", JSC

**"01" December 2011  
(Minutes №8)**

**REGULATIONS  
ON THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS of "CAEPCO", JSC**

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## 1. MAIN TERMS AND DEFINITIONS

- 1.1 **"CAEPCO", JSC** (hereinafter referred to as "Parent Company" or "Company") is the "Central-Asian Electric Power Corporation" Joint Stock Company.
- 1.2 **The Board of Directors of "CAEPCO", JSC** (hereinafter referred to as "Board of Directors") is a body that fulfills the general management of the Group, except the issues referred the effective Law of the Republic of Kazakhstan on Joint Stock Companies and the Group's Articles of Association of "CAEPCO", JSC, which is the exclusive jurisdiction of the general meeting of shareholders.
- 1.3 **The Group** - «Central Asian Electric-Power Corporation», Joint Stock Company («CAEPCO», JSC) includes the parent company "CAEPCO", JSC and the subsidiary organizations (SO) - SEVKAZENERGO» Joint Stock Company, «PAVLODARENERGO» Joint Stock Company, «ASTANAENERGOSBYT» Limited Liability Company - and other subsidiaries, that have already joined or will be joined to the Group in the future.
- 1.4 **The Audit Committee of the Board of Directors of "CAEPCO", JSC (The Audit Committee)** - is an advisory body of the Board of Directors of "CAEPCO", JSC and established to assist the Board of Directors to monitor decisions and processes designed to ensure the integrity of financial reporting and sound systems of internal control and risk management.
- 1.5 **Subsidiary Organization** (hereinafter referred to as "SO") is an organization, including an unincorporated organization such as the Partnership, which is controlled by "CAEPCO", JSC (called as "Parent Company").
- 1.6 **Internal Audit** is an activity related to independent and objective inspection and provision of consultations aimed at company activity efficiency upgrade, including evaluation of the internal control performance.
- 1.7 **Internal Audit Department of "CAEPCO", JSC** (hereinafter referred to as "IAD") is a division of the Group, performing an internal audit, established in accordance with the legislation of the Republic of Kazakhstan, and its main functions are evaluation of the reliability of reporting, effectiveness and efficiency of operations of the Group, and compliance with the legal and regulatory requirements of the Republic of Kazakhstan.
- 1.8 **Risk** is a potential event (or a set of circumstances) in future, which in case of its realization can have a negative impact on the achievement of long and short term goals of the Group.
- 1.9 **Enterprise Risk Management** (hereinafter referred to as "ERM") is a set of interrelated elements combined in a single process, effected by the Board of Directors, Management and other personnel at every level of the Group, applied in strategy setting and across the enterprise, designed to identify potential adverse events that may affect the Group, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of the Group's objectives.

- 1.10 **Internal Control System** (hereinafter referred to as “ICS”) is a set of policies, processes, procedures, standards of behavior and performance indicators combined in a single process, which is a part of the Group management process effected by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
- Effectiveness and efficiency of operations of the Group;
  - Compliance with the effective laws and regulations of the Republic of Kazakhstan;
  - Reliability of financial reporting and its preparation system;
  - Safety of the assets (resources) and prevention of fraud and illegal actions.
- 1.11 **Risks Management Department of “CAEPCO”, JSC** (hereinafter referred to as “RM Department”) is a division of the Group that organizes and supports an implementation process of Enterprise Risk Management and Internal Control System.

## 2. GENERAL PROVISIONS

- 2.1. This Regulations on the Audit Committee (hereinafter referred to as “Regulations”) was developed with purpose to regulate Audit Committee activity and in accordance with:
- Law of the Republic of Kazakhstan “About Joint Stock Companies”;
  - Group's Articles of Association;
  - Corporate Governance Code of the Group;
  - other internal documents of the Group.
- 2.2. This Regulations defines the following:
- main purposes, tasks and functions of the Audit Committee;
  - establishment procedure, status and membership of the Audit Committee;
  - rights, responsibilities and responsibilities of the Audit Committee members;
  - procedure of organization of Audit Committee activities;
  - interaction of the Audit Committee with other bodies of the Group.
- 2.3. Audit Committee is a permanent working body within the Board of Directors ensuring actual participation of the Board of Directors in implementation of timely and effective control over financial-economic activity and performance of ERM and ICS in the Group.
- 2.4. The Audit Committee is established by the resolution of the Board of Directors. In its activity, the Audit Committee is fully accountable to the Board of Directors and acting within authorities as provided by the Board of Directors.
- 2.5. All proposals developed by the Audit Committee are the recommendations to be transferred to the Board of Directors for review to make corresponding managerial decisions.

### 3. PURPOSES AND TASKS OF THE AUDIT COMMITTEE

- 3.1. The main purposes of establishment and activity of the Audit Committee are, as follows:
- 3.1.1. Rendering assistance to the Board of Directors to efficiently perform its regulatory and supervisory functions in relation to:
- control over financial reporting and internal control;
  - control over availability and functioning of appropriate ERM and ICS within the Group and its SO.
- 3.1.2. Internal audit improvement and consolidation;
- 3.1.3. ERM and ICS improvement and consolidation;
- 3.1.4. Assistance to continuous development of ERM and ICS.
- 3.2. The main tasks of the Audit Committee are, as follows:
- 3.2.2. Development and provision of recommendations to the Board of Directors to make managerial decisions related to:
- financial reporting of the Group;
  - internal control system of the Group;
  - enterprise risk management of the Group;
  - internal audit activity of the Group;
  - selection of an audit company to conduct external audit.
- 3.2.3. Introduction of modern methods on improvement of risk-oriented internal audit, ERM and ICS within the Group and its SO;
- 3.2.4. Control over timely and full implementation:
- on internal audit – Corrective Action Plans;
  - on ERM and ICS – Action Plans on ERM and ICS improvement.
- 3.2.5. Introduction of effective programs of ERM and ICS efficiency testing.

### 4. FUNCTIONS OF THE AUDIT COMMITTEE

- 4.1. The Audit Committee performs preliminary review of the Group's financial reports and documents containing information about the results of the indicated reporting disclosed to the shareholders and investors by the Group.
- 4.2. Functions of the Audit Committee regarding internal audit issues are, as follows:
- 4.2.1 Evaluation of:
- candidates for position of IAD Chief and employees of the Group;
  - audit reports;
  - introduction and observance of the Group corporate governance principles;
  - ERM and ICS effectiveness;
  - effectiveness and quality of IAD activity.
- 4.2.2 Review of recommendations for the Board of Directors on the issues, as follows:
- approval of an annual plan of IAD activities;
  - review and approval of policies, procedures, drafts of internal documents and forms of managerial reporting of the Group regarding internal audit,

- development of recommendations for their revision to improve internal audit process within the Group;
- review and approval of reports on performed post-audit monitoring of implementation of Corrective action plans, recommendations issued by the external auditors.
- 4.2.3 Review of recommendations for the Board of Directors on inspections done by IAD within the reporting period regarding the issues, as follows:
- Financial reporting activity of the Group;
  - effectiveness of ERM and ICS of the Group;
  - observance of requirements of the legislation of RoK, international agreements, internal documents of the Group;
  - implementation of instructions issued by the regulatory and supervisory bodies, decisions issued by the Group bodies;
  - timely submission of financial and tax reporting to the authorized bodies;
  - limited scope audit;
  - remote audit.
- 4.3 Functions of the Audit Committee regarding ERM and ICS issues are, as follows:
- 4.3.1 Review and approval of policies, procedures, drafts of internal documents and forms of managerial reporting of the Group regarding ERM and ICS, development of recommendations for their revision to improve ERM and ICS within the Group;
- 4.3.2 Review and analysis of monitoring and effectiveness results of ERM and ICS, development of recommendations for the Board of Directors on improvement of ERM and ICS;
- 4.3.3 Review and approval of tolerance level, risk appetite of the Group, and ERM and ICS improvement plan;
- 4.3.4 Review and preparation of recommendations for the Board of Directors upon the results of conducted identification, assessment and analysis of risks and methods of their management;
- 4.3.5 Review and preparation of recommendations for the Board of Directors upon the results of control and monitoring over:
- risks status;
  - observance of maximum allowable risk limits by the Group;
  - implementation of ERM and ICS related internal documents by the business units of the Group.
- 4.3.6 Evaluation and analysis of impacts of the critical risks on the activity of the Group, preparation of a report and recommendations to the Board of Directors;
- 4.3.7 Coordination of interaction of the business units of the Group within the process of ERM and ICS;
- 4.3.8 Assistance to development of risk management culture within the Group and advising to the business units of the Group on ERM and ICS related issues.
- 4.4 The Audit Committee communicates recommendations on any issues to the Board of Directors, which according to the Audit Committee require response from the Board of Directors.

## **5 AUDIT COMMITTEE MEMBERSHIP AND ESTABLISHMENT PROCEDURES**

- 5.1 Number of the Audit Committee members is defined by the decision of the Board of Directors out of the members of the Board of Directors. The number of the Audit Committee members shall be not less than 3 (three) persons.
- 5.2 The members of the Audit Committee are approved at the session of the Board of Directors by simple majority of votes of members of the Board of Directors taking part in the voting.
- 5.3 Terms of tenure of the Audit Committee members shall coincide with terms of their tenure as members of the Board of Directors. Tenure of any Audit Committee member may be terminated early by the decision issued by the Board of Directors.
- 5.4 The Audit Committee Chairman or any other Audit Committee member may resign by forwarding a notification to the Chairman of the Board of Directors.
- 5.5 In case if tenure of an Audit Committee member is terminated, the Board of Directors elects a new Audit Committee member at the nearest session with obligatory compliance with the conditions of this Regulations. Before election of a new Audit Committee member, the Audit Committee continues to implement its obligations in corpora in effective membership.
- 5.6 During election of the Audit Committee members, the preference shall be given to the candidates having higher financial, audit and legal education. At least one Audit Committee member shall have advanced knowledge in accounting and reporting and/or finance and/or audit.
- 5.7 The Audit Committee appoints a Secretary whose functions are performed by the Corporate Secretary or Secretary of the session of the Board of Directors. In case of his/her absence, functions of the Audit Committee Secretary shall be executed by any employee of IAD/ RM Department of the Group or unless otherwise is provided by the decision of the Audit Committee.
- 5.8 The Audit Committee Secretary shall ensure:
  - preparation and conduction the of Audit Committee sessions;
  - collection and arrangement of materials for the sessions;
  - timely communication of notifications regarding conduction of the Audit Committee sessions, agenda, agenda related documents to the Audit Committee members and invited persons;
  - minutes of the sessions;
  - preparation of drafts of the Audit Committee decisions;
  - further storing of all corresponding materials.

## **6 AUDIT COMMITTEE CHAIRMAN AND FOR HIS/HER ELECTION PROCEDURE**

- 6.1 The Audit Committee Chairman is elected by the Board of Directors from the independent members of the Board of Directors who are the Audit Committee members for the term of tenure of the Board of Directors by means of open voting of simple majority of votes from the general number of the members of the Board of Directors taking part in the voting.
- 6.2 The Board of Directors has the right to re-elect the Audit Committee Chairman at any time.

- 6.3 In case of the Audit Committee Chairman's absence, his/her obligations shall be executed by any Audit Committee member elected at the session of the Audit Committee by means of open voting by simple majority of votes from the general number of the Audit Committee members present at the session.
- 6.4 The Audit Committee Chairman shall organize the Audit Committee activity, particularly:
- convene its session and preside them;
  - arrange keeping the minutes of sessions;
  - approve the agenda of the Audit Committee sessions with consideration of proposals by the Audit Committee members, IAD, RM Department;
  - distribute responsibilities among the Audit Committee members, give instructions related to in-depth study of issues and documents' preparation for review at the Audit Committee session;
  - develop sessions' plan for a current year, control implementation of its decisions and plans;
  - report on the results of the Audit Committee activities to the Board of Directors;
  - constantly communicate with members of the Board of Directors, President of the Group, business divisions of the Group in order to receive the most relevant and reliable information required for the Audit Committee to make decisions and in order to ensure their efficient interaction with the Board of Directors of the Group;
  - control activity of the Audit Committee Secretary;
  - perform other functions within the Audit Committee authorities.

## **7 RIGHTS OF THE AUDIT COMMITTEE**

- 7.1 To achieve the set purposes and tasks, and to implement the assigned functions, the Audit Committee Chairman and members have right to:
- have access to information, documents of the Group related to the issues within the Audit Committee competence;
  - invite the President, any manager and employee of the business units of the Group and SO management personnel to the Audit Committee sessions;
  - initiate inspections of financial-economic activity of the Group;
  - to attract the external experts and consultants within approved budget of the Group;
  - participate in control and inspections of implementation of decisions and instructions issued by the Board of Directors regarding the issues related to its activity;
  - develop and submit drafts of documents related to Audit Committee activity for approval by the Board of Directors of the Group;
  - enjoy any other rights not contradicting the legislation of the Republic of Kazakhstan, internal documents of the Group required for performance of the assigned functions by the Audit Committee.



## 8 OBLIGATIONS OF THE AUDIT COMMITTEE

- 8.1 The following shall be the common recurring activities of the Audit Committee in carrying out its purposes. These activities are set forth as a guide with the understanding that the Audit Committee may diverge from this guide as appropriate given the circumstances.
- 8.2 On the issues related to financial reporting and external audit, the Audit Committee is obliged to:
- discuss financial reporting, also justification and admissibility of applied principles of financial reporting, significant estimated figures in financial reporting, major corrections of accounting with the Group management and external auditor;
  - discuss proposed (supposed) changes in the corporate accounting policy of the Group and how those changes can affect the reporting content with the Group management, external and internal auditors;
  - review any major disagreements between the external auditor and the Group management related to financial reporting of the Group;
  - approve corporate accounting policy of the Group in advance;
  - consider the issues on assignment and need to change the Group external auditor and prepare recommendations on this issue to the Board of Directors;
  - review results of annual and intermediate auditing together with the external auditor, including answers of the Group upon the audits results;
  - approve the annual financial reporting of the Group in advance.
- 8.3 On internal audit related issues, the Audit Committee is obliged to:
- supervise the Group IAD activity;
  - duly approve the procedure of the Group IAD activity, qualification requirements to employees of the Group in advance;
  - approve changes into Regulations about the Group IAD, policies and procedures of the Group regarding IAD activity;
  - ensure independence of the Group IAD from its management;
  - duly coordinate a candidacy of the IAD Chief of the Group and decision about early termination of his/her authorities;
  - duly coordinate the annual plan of IAD work of the Group, structure, personnel number of IAD of the Group and budget expenses for it;
  - analyze regular internal audit reports presenting generalized results of work and the most significant comments by the auditors;
  - assign IAD of the Group to conduct independent inspections (assessments) on the issues concerned in the exceptional cases;
  - control over observance of the recommendations advised by the internal auditors of the Group upon the audit results of financial reporting activity of the Group;
  - analyze the results and quality of implementation of the Corrective Action Plans developed by the Group upon the results of auditing of financial reporting activity of the Group.
- 8.4 On the issues related to risk management and internal control, the Audit Committee is obliged to:
- supervise the activity of the Group RM Department;

- analyze reports of external and internal auditors about condition of internal control and risk management system;
  - analyze effectiveness of the systems of risk management and internal control of the Group, and to raise proposals on these and related issues;
  - control the observance of recommendations by the internal and external auditors of the Group with regard to internal control and risk management systems;
  - conduct regular meetings with the Group management in order to review major risks and problems of internal control and Action Plans on major risk management and internal control improvement Plans;
  - duly coordinate policies and procedures of the Group on ERM and ICS;
  - duly coordinate the candidacy of the Group's RM Department Head and decision about early termination of his/her authorities;
  - duly coordinate the annual plan of RM Department work of the Group, structure, personnel number of the Group RM Department and budget expenses for it;
  - analyze the results and quality of implementation of ERM and ICS Improvement Action Plans developed by the Group.
- 8.5 The Audit Committee is obliged to perform other obligations related to the Audit Committee competence as instructed by the Board of Directors.
- 8.6 Inform the Board of Directors in timely manner about deficiencies of the risk management and internal control systems requiring improvement, about risks affecting the Group, and facts of fraud and illegal actions.

## **9 PROCEDURE OF THE AUDIT COMMITTEE SESSIONS**

- 9.1 Sessions of the Audit Committee are conducted as the need arises, and in cases as stipulated by the Regulations, but not rarer than once in 6 months.
- 9.2 Notification, agenda of the Audit Committee session and necessary documents for it are prepared and distributed to the Audit Committee members not later than 14 (fourteen) calendar days prior to the planned date of the session.
- 9.3 Decision regarding convocation of the next Audit Committee session, date, time and location of the session and agenda issues, also decision about the list of persons invited to participate in the session is made by the Audit Committee Chairman in accordance with the schedule of the Audit Committee regular sessions.
- 9.4 Unscheduled session of the Audit Committee can be conducted upon decision made by its Chairman, upon the request of the Audit Committee members, IAD Chief, President of the Group.
- 9.5 In case of application of the Board of Directors with the request to convene an unscheduled session of the Audit Committee, its Chairman is obliged to convene the unscheduled session within 5 (five) business days.
- 9.6 Session of the Audit Committee is eligible (has quorum) if it is attended by the prevailing number of the Audit Committee members.
- 9.7 In issue resolutions, each Audit Committee member has one vote. Transfer of voting right by the Audit Committee member to other persons including other Audit Committee members is not allowed.
- 9.8 Audit Committee decisions are accepted by simple majority of votes of its members.

- 9.9 The Audit Committee Secretary shall execute the Minutes of the conducted session not later than 5 (five) business days after conduction of the Audit Committee session.
- 9.10 The Minutes of session are signed by the Chairman, other Audit Committee members, and it's Secretary. The Minutes are made in two original copies, one of which, after it is signed, is forwarded to the members of the Board of Directors with attachment of materials and recommendations prepared for it within 3 (three) business days, another one is stored in the Audit Committee archive. All Audit Committee members are provided with a copy of the Minutes, prepared materials and recommendations.
- 9.11 The Minutes of the Audit Committee session shall specify:
- date, location, form and time of session conduction;
  - list of the Audit Committee members participating in agenda review and list of other persons attending the session;
  - agenda;
  - proposals by the Audit Committee members on agenda related issues;
  - issues raised for voting and their voting results;
  - decisions taken.
- 9.12 The Audit Committee Secretary shall ensure storage of the Minutes of the Audit Committee sessions.

## **10 ACCOUNTABILITY OF THE AUDIT COMMITTEE**

- 10.1 The Audit Committee Chairman shall submit an annual report about the Audit Committee activity results to the Board of Directors not later than three months following after the reporting year.
- 10.2 The report shall include information about the Audit Committee activity within the reporting year, including conclusions and recommendations issued to the President and Board of Directors about different issues related to the Audit Committee competence.
- 10.3 The Audit Committee report may include other significant information at discretion of the Audit Committee.
- 10.4 The Board of Directors has the right to demand the Audit Committee to submit a report on the current Audit Committee activity. Terms for preparation and submission of such report shall be defined by the decision of the Board of Directors.

## **11 INTERACTION OF THE AUDIT COMMITTEE WITH BODIES OF THE GROUP AND OTHER PARTIES**

- 11.1 The Audit Committee Chairman is obliged to provide the coordinated interaction of the Audit Committee with the Board of Directors of the Group, President and in case of their availability with other Committees of the Board of Directors of the Group.
- 11.2 In order to ensure efficient operation, the Audit Committee members should have access to any required information. Due to this reason, the President, managers of business units and other employees of the Group are obliged to provide relevant and reliable information and documents related to the issues of the Audit Committee activity within 10 (ten) calendar days upon the request of the Audit Committee.

Request about information and documents provision is executed in written form and signed by the Audit Committee Chairman.

- 11.3 Information and documents shall be provided to the Audit Committee through the Audit Committee Secretary with enclosed copies in the amount equal to the number of the Audit Committee members. If materials and documents are confidential, in accordance with internal documents, they shall be marked with "Confidential" seal.

## 12 INFORMATION CONFIDENTIALITY

- 12.1 During implementation of the obligations of the Audit Committee members, and upon termination of tenure term in the Audit Committee, persons who are (were) Audit Committee members are obliged to observe confidentiality requirements with regard to information received by them due to their activity within the Audit Committee.

## 13 FINAL PROVISIONS

- 13.1 These Regulations shall come into force upon the date of its approval by the Board of Directors of the Group. Approval of the Regulations and introduction of changes and amendments to it are the competence of the Board of Directors of the Group.
- 13.2 In case if some specific provisions of this internal document contradict the norms of the legislation of the Republic of Kazakhstan, Articles of Association of the Group, the regulations established in the legislation of the Republic of Kazakhstan and the Articles of Association of the Group shall prevail. In case of contradictions between these Regulations and other internal documents of the Group approved by the Board of Directors, the latest approved document shall prevail.
- 13.3 The Regulations is executed in the Russian and English languages, the Russian text shall prevail. The Regulations is subject to publishing at corporate web-site of the Group [www.CAEPCO.kz](http://www.CAEPCO.kz).
- 13.4 The internal document "Regulations on the Audit Committee of "CAEPCO", JSC approved by the Board of Directors on February 25, 2010 (minutes #1) shall be acknowledged void upon the date of approval hereof.