

## **KAZ MINERALS PLC**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

#### **1. ROLE**

- 1.1 The role of the Committee is to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to monitor the effectiveness of the Group's internal audit function and to oversee the relationship with the Group's external auditor.

#### **2. MEMBERSHIP AND ATTENDANCE**

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Committee shall be made up of at least three members. The Committee shall, where possible, include one member of the Remuneration Committee.
- 2.2 All members of the Committee shall be independent non-executive Directors of the Company, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Group operates. The Chair of the Board, executive Directors and non-executive Directors deemed not to be independent by the Board may not be members of the Committee. A quorum for Committee meetings shall consist of two members.
- 2.3 The Board shall appoint the Committee Chair (who shall be an independent non-executive Director). In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 2.4 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Company Secretary, the head of internal audit, representatives from the finance function and the external auditor may be invited by the Committee to attend all or part of any meeting as and when appropriate.
- 2.5 The regulations contained in the Company's Articles of Association for the meetings and proceedings of Directors shall so far as not altered hereby, also apply to members of the Committee.

#### **3. SECRETARY**

- 3.1 The Company Secretary, Assistant Company Secretary or their nominee shall act as the secretary of the Committee.

#### **4. FREQUENCY OF MEETINGS**

- 4.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and at such other times as requested. Outside the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer,

the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit.

## **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair of the Committee.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee and any other person required to attend, no fewer than 5 working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.
- 5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## **6. MINUTES OF MEETINGS**

- 6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary of the Committee shall ascertain the existence of any conflicts of interest and minute them accordingly. If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, following the approval of the Chair of the Committee, to other members of the Board, unless a conflict of interest exists.

## **7. ANNUAL GENERAL MEETING**

- 7.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **8. DUTIES**

The Committee reports to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to appropriate steps to be taken. The Board shall be provided with an overview of key matters discussed at previous Audit Committee meetings. The Committee shall carry out the duties below for the Company and all of its subsidiaries and the Group as a whole, as appropriate:

### **8.1 Financial Reporting**

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results' announcements, quarterly production reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2 The Committee shall review and challenge where necessary, the actions and judgements of management taking into account the views of the external auditor, in relation to the Company's financial statements, strategic report, financial review, governance statement (insofar as it relates to audit and risk management), half-yearly reports, preliminary announcements and related formal statements before submission to the Board, paying particular attention to:

- a) the consistency of, and changes to, significant accounting policies and practices;
- b) significant financial reporting issues, estimates and decisions requiring a major element of judgement;
- c) the extent to which the financial statements are affected by any significant or unusual transactions in the year, the methods used to account for them and how they are disclosed;
- d) the clarity and completeness of disclosure and the context in which statements are made;
- e) significant adjustments resulting from the audit;
- f) compliance with accounting standards, legal and regulatory requirements;
- g) the reporting of related-party transactions;
- h) the going concern assumption

8.1.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

## **8.2 Narrative Reporting**

Where requested by the Board, the Committee shall review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable, is consistent with the financial statements and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee shall also consider the basis and accuracy of the longer-term viability statement prior to Board approval.

## **8.3 Internal Control, Risk and Compliance**

The Committee shall:

- a) keep under review the Group's strategy with regard to risk and the adequacy and effectiveness of the Group's internal financial reporting and internal controls, and the procedures for the identification, assessment and reporting of risks;
- b) review the report on the effectiveness of internal controls required to be included in the Annual Report and Accounts and any similar statement required to be included by the Company or its management in any document

pursuant to applicable UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, legislation and best practice;

- c) review any findings and recommendations of the external auditor, internal auditors and/or other parties in relation to internal controls, risk management and compliance, and monitor progress in implementing any such findings and recommendations;
- d) review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- e) review the Company's procedures for detecting fraud;
- f) review the Company's systems and controls for the prevention of bribery and corruption and receive reports on non-compliance;
- g) review the Group's significant insurance arrangements; and
- h) review the Group Treasury Policy at least annually.

#### **8.4 Internal Audit**

The Committee shall:

- a) approve the appointment and removal of the head of the internal audit function and the terms of any engagement of any external consultants for the purposes of internal audit. The head of internal audit shall be accountable to the Committee;
- b) consider and approve the terms of reference of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- c) monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;
- d) review and approve the annual internal audit plan and budget and be advised of any delay in implementing the internal audit plan;
- e) review reports from the internal auditors dealing with key control issues, material changes to the risk profile, any significant control findings and management's responsiveness to the findings and recommendations of the internal auditors as well as other matters of specific interest; and
- f) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Board and to the Committee.

## 8.5 External Audit

- a) Subject to any shareholder approvals required by legislation or the Articles of Association, the Committee shall make recommendations to the Board to be put to shareholders to consider on the appointment, re-appointment or removal of the external auditor.
- b) The Committee shall ensure that at least once every ten years the external audit services are put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other external audit firms; and in respect of such tender shall oversee the selection process and ensure that all tendering external audit firms have such access as is necessary to information and individuals during the duration of the tendering process.
- c) If an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- d) The Committee shall oversee the relationship with the external auditor including (but not limited to):
  - i) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of each audit and the remuneration to be paid to the external auditor in respect of audit services provided;
  - ii) assessing annually their independence and objectivity taking into account the relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services;
  - iii) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business);
  - iv) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
  - v) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, then monitoring the implementation of this policy;
  - vi) monitoring the external auditor's processes for maintaining independence, compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

- vii) developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
  - viii) seeking to ensure co-ordination with the activities of the internal audit function; and
  - ix) considering the risk of withdrawal of the present external auditor from the market.
- e) The Committee shall:
- i) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at the end of each meeting, without management being present, to discuss the remit and any issues arising from the audit;
  - ii) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - iii) review any representation letter(s) requested by the external auditor before they are signed by management;
  - iv) review the management letter and management's response to the external auditor's findings and recommendations;
  - v) monitor the steps taken by the external auditor to respond to changes in regulations and other requirements;
  - vi) review the findings of the audit with the external auditor including, but not limited to, discussing any major issues and problems which arose during the audit, any accounting or audit judgements, the effectiveness of the audit and the levels of errors identified during the audit; and
  - vii) conduct a review every three years of the service provided by the external auditor and, subject to the outcome of this review, may consider re-tendering the external audit services.

## **8.6 Other Matters**

The Committee shall:

- a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- b) assist the Board in overseeing compliance with all legal and regulatory requirements and shall give due consideration to the requirements of the UK Corporate Governance Code, UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, and to the extent deemed appropriate, the rules of the London and Kazakhstan Stock Exchanges and any other exchange on which the Company's equity securities are listed;

- c) investigate or commission investigations into any activity within its terms of reference;
- d) be responsible for the co-ordination of the external and internal auditors;
- e) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- f) work and liaise as necessary with all other committees of the Board, taking particular account of the impact of any risk management and internal controls delegated to different committees;
- g) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- h) perform any other activities consistent with these terms of reference that the Committee or the Board deem appropriate.

## **9. REPORTING RESPONSIBILITIES**

- 9.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include the significant issues that it has considered in relation to the financial statements and how these were addressed; its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the external auditor; and any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its terms of reference.
- 9.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report and Accounts. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee has considered in relation to the financial statements and how these issues have been addressed, having regard to matters communicated to it by the external auditor; and all other information requirements set out in the UK Corporate Governance Code.

## **10. AUTHORITY**

- 10.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and all employees shall be directed to co-operate with any request made by the Committee.
- 10.2 The Committee may call any employee to be questioned at a meeting of the Committee as and when required.

- 10.3 The Committee shall have unrestricted access to Company documents, Company information and to the external auditor.
- 10.4 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice and secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary.
- 10.5 The Committee shall have the right to publish in the company's Annual Report and Accounts details of any issues that cannot be resolved between the Committee and the Board.

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