

Audit process

The IAS operates in accordance with the Audit Plan approved by the Board of Directors. Its activities include assessments of the performance of the internal control system, risk management and corporate governance.

During its work, the IAS is guided by regulations on the IAS and methodological guidelines for the organisation of internal audits, as well as International Standards for the Professional Practice of Internal Auditing.

The IAS processes requests from various Company departments and publishes information on the Company's intranet. Requests can include the provision of consultations or advice on issues related to internal control systems, risk management, accounting, etc.

Compliance with standards¹

IAS activities conform with International Standards for the Professional Practice of Internal Auditing, which were confirmed by KPMG Tax and Advisory LLP, a qualified independent external consultant in April 2016.

External assessments of IAS activities are performed in two areas of the standards (quality standards and performance standards) and best international practice.

According to the most recent report, IAS activities fully comply with 48 international professional standards for internal audit.

In the framework of the most recent assessment, the maturity level of IAS activities in regard of international practice was characterised as "progressive", the highest level of maturity according to KPMG's methodology.

Valentina Khegay

Head of the Internal Audit Service

Valentina began working for Air Astana in 2006, having already gained considerable experience in the field of audit, finance and accounting. She started her audit activities in 1996. Prior to that, she worked as a chief accountant, a financial director and an external auditor for local and international companies. She has a PhD in Economics, is a Certified Internal Auditor (CIA and DipPIA from the ICFM), a licensed auditor of the Republic of Kazakhstan and a professional accountant. Valentina was appointed as the Head of the Internal Audit Service by a resolution of the General Meeting of Shareholders on 7 December 2007.

External audit

The external auditor adheres to the International Standards on Auditing and the International Financial Reporting Standards for rendering audit services.

The current practice of selecting an external auditor for Air Astana implies a set of procedures for selecting an auditor that precede the signing of an agreement for rendering audit services, in accordance with Air Astana Procurement Regulations approved by the Board of Directors. This procedure was developed in accordance with the laws of the Republic of Kazakhstan, as well as the Company's Charter, Procurement Regulations and other internal documents.

The auditor is selected for a period not exceeding three years. The auditor must develop a succession plan for achieving this result and submit the plan to the Audit Committee for consideration no later than one year before a new external auditor is selected.

Air Astana's external auditor for the period of 2017-2019 is KPMG Audit LLP, an independent audit organisation.

Ethical standards

Every year, all Company employees must take and pass a mandatory online course to confirm their knowledge of our Code of Business Ethics. We have begun updating the Code to comply with our HEART values. The amended Code will serve as a general guide for employees in situations that may arise in their day-to-day activities.

Management of conflicts of interest

With respect to conflicts of interest, we are guided by our Charter, Corporate Governance Code and Code of Business Ethics.

Every year, all directors must submit a letter confirming that they do not have any conflicts of interest. In case of a potential conflict of interests, the Directors involved must inform the Board and management immediately. No conflict of interest was registered in 2017.

Compliance policy

In 2017, we started designing a new compliance function. So far, drafts of the following policies have been developed: Anti-corruption Policy, Conflicts of Interest Policy and a Whistleblowing Policy, which are planned to be approved and implemented in 2018. In addition to existing reporting channels arranged for employees, we are planning to establish an independent third-party operator to provide a telephone, e-mail and web-based reporting capability that would ensure the anonymity of whistleblowers.

¹ International Standards for the Professional Practice of Internal Auditing.

Corporate liability insurance

Since 2011, we have been purchasing Directors, officers and corporate liability insurance, which covers the obligations of our Company and its Directors and officers in accordance with applicable legislation to compensate for losses incurred by third parties as a result of wrongful acts committed during the performance of their official duties. Expenses incurred as a result of any claim brought against the Company and its Directors or officers in connection with the performance of their official duties are also covered.

According to the policy, a local insurance company covers 5% of the risk and reinsures 95% in a reputable international market through a reinsurance company with a rating of at least an A in accordance with Standard & Poor’s system or an equivalent rating on the part of other rating agencies. The insurance period is one year.

Risk Management

We acknowledge the importance of risk management as the key component of our corporate management system. The purpose of risk management is to identify risks that could have a potential negative impact on our value and reputation and to undertake actions to mitigate such risks.

The Company’s Risk Management Policy ensures the maintenance of its Corporate Risk Management System (CRMS), which provides the Company several benefits. First, the CRMS enables the Company to operate effectively. Second, it helps the Company determine how to best distribute resources so as to ensure that its level of risk is acceptable. Third, by making it possible to identify, evaluate, manage and monitor risks, the CRMS enables the Company to receive the greatest-possible return on its investments.

Company documents that are used in the CRMS framework are based on best practices in risk management, regulatory requirements and globally acknowledged standards on risk management.

The CRMS is a unified process made up of a set of interrelated elements involving the Board of Directors, senior executives and all Company employees. The purpose of the CRMS process is twofold: to detect any events that could potentially have an impact on our operations and to maintain an acceptable level of risk for shareholders in response to the occurrence of any such events.

Our risk management system

