



## POLICY ON RELATED PARTY CONTRACTS

### Compliance Policies - Policy 9.1- Related party contracts

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<b>Approved by</b>	The Board of Managers
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<b>Policy Owner(s):</b>	<a href="#">Acting Group Head of Compliance</a>
<b>Contact(s):</b>	<a href="#">Head of Compliance International</a>

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*In this document, the “Company” or “ERG” means Eurasian Resources Group S.a.r.l. and includes, where applicable, all subsidiaries.*

#### 1. Policy Objective

- 1.1. The policy’s objective is to ensure that
  - 1.1.1. the Company complies with the requirements of the Articles of Association of ERG SARL regarding approval and reporting of contracts with Related Parties.
  - 1.1.2. Related Party transactions are approved in accordance with the ERG Delegation of Authority Matrix and the rules defined in this Policy.
  - 1.1.3. the Company complies with the International Financial Reporting Standards (IFRS) for reporting and disclosure requirements of or Related Party transactions.
- 1.2. The policy sets out:
  - 1.2.1. the criteria for review and approval of contracts with Related Parties
  - 1.2.2. the process which needs to be followed by ERG Group companies to review, approve and report on contracts with related parties; and
  - 1.2.3. roles and responsibilities in the process.

#### 2. Scope

- 2.1. This policy applies to reporting, review and approval of contracts with Related Parties as defined in this Policy.
- 2.2. The Policy is applicable to all subsidiaries of ERG.

#### 3. Definitions

- 3.1. The Board – the Board of Managers of Eurasian Resources Group SARL.
- 3.2. Related Party:
  - 3.2.1. A person or a close member of that person's family is related to the Company if that person:
    - a) has control or joint control over the Company;
    - b) has significant influence over the Company; or
    - c) is a member of the key management personnel of the Company
  - 3.2.2. An entity is related to the Company if any of the following conditions applies:
    - a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    - c) Both entities are joint ventures of the same third party.
    - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    - e) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    - f) The entity is controlled or jointly controlled by a person identified in 3.2.1.
    - g) A person identified in a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).



- h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.
- 3.3. Key management personnel – members of the Board, Senior Managers reporting directly to the Board and General Managers.
- 3.4. Close Family member - those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. These include any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of such person including also his/her dependants and spouse.
- 3.5. Transactions with a government are related party transactions if:
  - 3.5.1. a government has control, joint control or significant influence over the ERG; and
  - 3.5.2. an entity that has transactions with the ERG and the same government has control, joint control or significant influence over both the ERG and the other entity.
- 3.6. Related Party Contract – any financial transaction, arrangement or relationship involving transfer of resources, services or obligations irrespective of whether a price is charged or not, in which the Company is a participant and a Related Party has or will have a direct or indirect interest.
- 3.7. Ordinary Course of Business – all activities that are necessary and normal for the entity to conduct its business.
- 3.8. Arm's Length (Terms) – the terms of the contract, which are no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances.
- 3.9. The Region or Regional Management – General Managers of Company business in defined geography or organization as per Management Organization Structure in place.
- 3.10. Senior Manager - a manager reporting directly to the Board.
- 3.11. General Manager - Top executive officer of any business unit of the Company, irrespective of the actual title of such position<sup>1</sup>.
- 3.12. Material Contract Terms - description and quantity of goods/services/assets, commercial terms, delivery terms. Other contractual terms may be material depending on type of contract.

#### **4. Policy Statements**

- 4.1. The Group General Counsel is responsible for establishing a reporting procedure to be followed by the Regions to ensure a timely, complete and accurate reporting of all Related Party Contracts and the related aggregated transaction volume on a rolling annual basis to the Group General Counsel and the Group Finance department. The reporting requirements should be elaborated together with the Finance department in order to satisfy also the IFRS disclosure requirements for Related Party transactions.
- 4.2. The General Manager of a Business unit is responsible for implementing the reporting procedure as defined in the section 4.1 to ensure a full, accurate and timely reporting of Related Party contracts to the Group General Counsel and the Group Finance department.
- 4.3. The Group General Counsel is responsible for defining a process to ensure timely approval of all Related Party contracts that are entered outside the ordinary course of business or that are not at arm's length and require therefore Board's approval before entering into the contract. The Group General Counsel is responsible for circulating the procedure to the Regions.
- 4.4. All Related Party Contracts will be approved in accordance with the Delegation of Authority Matrix.
- 4.5. All Related Party agreements with aggregated revenues or costs in excess of 5 MUSD per annum must be disclosed to the Board and the ERG CEO.
- 4.6. The General Manager of a Business unit is responsible for timely reporting of all Related Party Contracts with aggregated revenues or costs in excess of 5 MUSD per annum and all Related Party contracts that are entered outside the ordinary course of business or that are not at arm's length to the Group General Counsel.
- 4.7. The General Manager of a Business unit is responsible for obtaining necessary approvals for Related Contracts as defined by the Policy to execute them in compliance with this Policy.
- 4.8. The General Manager of a Business Unit shall ensure compliance, if applicable, with any additional local legal requirements regarding related party contracts.

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<sup>1</sup> Depending on local legal or common terminology it may be: President, Chief Executive Officer, General Director, General Manager, etc.



- 4.9. The General Manager of a Business Unit is responsible for ensuring that all records and relevant documentation supporting assertions of ordinary course of business and arm's length nature of the contracts will be maintained.

## **5. Identification of Related Parties and Assessment of Related Party Contracts**

- 5.1. The Group General Counsel shall, with assistance from the members of the Board of Managers and Shareholders, maintain a Central Register of Related Parties, which have been disclosed or known to the Company. The Group General Counsel should ensure distribution of updates to the Register to the regions on a regular basis. Responsibility for parts of the Central Register may be delegated by the Group General Counsel to Regional General Counsels, whenever practical.
- 5.2. The General Managers of all Business Units must make sure that:
  - 5.2.1. potential contracts with Related Parties are identified using the Register of Related Parties, public registers, counterparty statutory documents and other available facts;
  - 5.2.2. any newly identified Related Parties are promptly reported to the Group General Counsel.
- 5.3. All potential Related Party Contracts must be assessed if they are being entered in the ordinary course of business and at arm's length.
  - 5.3.1. If a contract is entered in the ordinary course of business and at arm's length Section 6 applies.
  - 5.3.2. If a contract is entered outside the ordinary course of business or not at arm's length section 7 applies.

## **6. Review and Approval of Related Party Contracts in the ordinary course of business and at arm's length**

- 6.1. It is the responsibility of a the General Manager of a Business Unit that initiates a potential Related Party Contract to:
  - 6.1.1. Establish a procedure to assess and conclude if the Related Party Contract is entered in the ordinary course of business and at arms' length, and document such assessment along with all supporting documents,
  - 6.1.2. Establish a process to ensure that a contract to be entered with Related Parties in the ordinary course of business and at arm's length will be approved according to the Delegation of Authority Matrix approved from time to time by the Board.
  - 6.1.3. Ensure that Related Party Contracts, which as per the Delegation of Authority Matrix require Board approval, follow the procedure as outlined in point 7.
- 6.2. It is the responsibility of the persons approving contracts with Related Parties entered in the ordinary course of business and at arm's length to:
  - 6.2.1. make sure that they have sufficient material facts to base their decisions on
  - 6.2.2. review and challenge, when necessary, submitted contract information to ensure that Related Party Contracts will be identified.

## **7. Review and Approval of Related Party Contracts requiring Board approval**

- 7.1. It is the responsibility of a the General Manager of a Business Unit that initiates a potential Related Party Contract to:
  - 7.1.1. Establish a process to identify and report to the Group General Counsel all Related Party Contracts requiring a Board approval.
  - 7.1.2. Establish a process to identify and report to the Group General Counsel all Related Party Contracts which are entered outside the ordinary course of business or not at arm's length as well as Related Party Contracts that, due to their value, as they require in all instances a Board approval.
- 7.2. All requests for Board approval as per this Policy must be authorised by Regional General Managers and submitted to the Group General Counsel.
- 7.3. It is the responsibility of the Regional Management or the Group Chief Executive Officer (in case of contracts entered at ERG level) to submit complete, accurate and timely information for Board approval.
- 7.4. The information submitted to the Board should include, among others:
  - 7.4.1. Identification of the Related Party;
  - 7.4.2. material terms of the Contract;
  - 7.4.3. the business reasons for the Company to enter into the Related Party Contract;
  - 7.4.4. the commercial reasonableness of the terms of the Related Party Contract;

- 7.4.5. the volume of the Related Party Contract to the Company;
- 7.4.6. whether the terms of the Related Party Contract are fair to the Company;
- 7.4.7. the extent of the Related Party's interest in the Related Party Contract.
- 7.5. It is the responsibility of the Group General Counsel in consultation with management and outside legal counsel as appropriate to assess and challenge when needed, submissions for approval by the Board.
- 7.6. Based on submissions from the Regions, the Group General Counsel prepares a submission to the Board with Related Party Contracts requiring Board approval.
- 7.7. The Board approves Related Party Contracts as per the procedures prescribed in the Articles of Association.

## **8. Pre-Approved Contracts**

- 8.1. The following related-party contracts are pre-approved, i.e. apart from ordinary approvals as per normal procedures and Delegation of Authority, they do not require any additional approval under this Policy:
  - 8.1.1. making of a payment or the provision of a benefit to a Senior Manager pursuant to and in accordance with that Senior Manager's service agreement;
  - 8.1.2. With regard to contracts and transactions with parties related to the Government of Kazakhstan:
    - a) making of payments to state authorities, which are required as per the local law or binding court decision. i.e. taxes, fines;
    - b) entering contracts and making of payments to commercial entities owned or controlled by the Government of Kazakhstan provided that such contracts/transactions are in ordinary course of business and at arms' length.

## **9. Related Party Contracts not duly reported and approved**

- 9.1. In rare circumstances when a contract with a Related Party is identified as a Related Party Contract only after it was signed, such contracts along with all material facts and circumstances should be reported via the Group General Counsel to the Board irrespective the value of the contract.
- 9.2. In such circumstances the Board can ratify such a contract, rescind it or take other action as may be deemed necessary.
- 9.3. In such circumstances the General Counsel should identify weaknesses in the reporting process and report to the Compliance Committee any remedial action to improve it.

## **10. Reporting**

- 10.1. The General Manager of a Business Unit must ensure that the reporting of all Related Party contracts according to the procedure set out in section 4.1 is performed quarterly.
- 10.2. The Group General Counsel should quarterly report on a rolling 12-month basis to the Board a list of all Related Party Contracts with aggregated revenues or costs in excess of 5 MUSD per annum and all Related Party contracts that are entered outside the ordinary course of business or that are not at arm's length.

## **11. Responsibilities**

- 11.1. The Board is responsible for establishing this Policy.
- 11.2. The Compliance Committee of the Board is responsible for oversight of compliance with this Policy.
- 11.3. The Group Chief Executive, supported by the Group General Counsel, has responsibility for implementing this policy in accordance with the requirements of the Board.
- 11.4. The Division and Business Unit Heads are responsible for establishing appropriate responsibilities, procedures, training and internal controls within their respective operations to ensure the consistent implementation of this policy across all jurisdictions and compliance with its requirements.
- 11.5. It is the responsibility of each Business Unit Head to ensure that their respective employees are made aware of this policy
- 11.6. It is the responsibility of each Company employee and associated person to comply with the terms of this Policy.



## **12. Monitoring**

- 12.1. The Group General Counsel is responsible for defining reporting procedures with regard to Related Party Contracts and for monitoring if these procedures are respected and followed by the Regions.
- 12.2. Regional Management is responsible for effective implementation of this Policy in their respective areas of responsibility and make sure that adequate controls are implemented to ensure on-going compliance.
- 12.3. Internal Audit should periodically review compliance with this Policy and report any deficiencies and respective recommendations to the Group Management and the Compliance Committee of the Board.