

**CORPORATE MANAGEMENT SYSTEM**

**Risk management policy**

**of “Samruk-Energy” JSC**

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# Purpose

1. This risk management policy (hereinafter - the Policy) is developed in accordance with the Risk Management Policy of "Samruk-Kazyna"JSC (hereinafter - the Fund) and internal regulatory documents of "Samruk-Energy" JSC (hereinafter - the Company).
2. The Company recognizes the importance of risk management as a key component of corporate governance system on a consolidated and individual basis, aimed at timely identification and taking measures to reduce the risks level that may adversely affect the value and reputation of the Company group.
3. Risk management in the Company on a consolidated basis shall be performed through introduction of the Corporate Risk Management System (hereinafter - CRMS) at all levels of Company’s group. CRMS is a set of interrelated elements combined in a single process within which the Board of Directors, management and employees, each at their own level, are involved in the identification of potential events that may affect the Company's and Company’s group operations, as well as in the management of these events within an acceptable risk level for shareholders.
4. This document determines:
5. The organizational structure of the Company’s CRMS;
6. Common approaches to risk classification of the Company;
7. Successive stages of risk management process and sharing information on risks within the Company’s group;
8. Mechanisms for monitoring CRMS and certain aspects of the Company’s operations in terms of risk management;
9. The elements connecting the CRMS of the Company with the processes of planning, budgeting and motivation;
10. The recommendations for the implementation of the Company on a consolidated basis of the risk management system, as well as efficiency criteria for CRMS of the Company.
11. The policy also includes the following Annexes, which are an integral part of the Policy:
12. The structure and minimum requirements for the content of the report on risks (Appendix 1);
13. A list of minimum requirements for the content of the risk management policies of subsidiaries and affiliates of the Company (Appendix 2);
14. Deadlines for submitting reports on risks (Appendix 3).
15. The policy is not intended to cover all possible scenarios that may arise in the practical application of the CRMS, suggesting that the risk management process being a part of the daily management process should provide flexibility in application of different management styles and creativity.
16. Implementation and improvement of CRMS is a prerequisite for achieving strategic and operational objectives of the Company group and is one of the most important tasks in the near future.

# Definitions and Abbreviations

1. The following definitions and abbreviations are used in this document:
2. **The risk** comprises a potential event (or coincidence) in the future, which in the case of its implementation could have a significant negative impact on the achievement of long and short term goals by the Company’s group.
3. **Risk appetite** - is the degree of risk that the Company / Company group considers to be acceptable in the process of achieving its goals. Company group, within its risk appétit, determines the acceptable boundaries of risk appetite (e.g., limits on investment in a single project, borrowing limits, etc.).
4. **Key risks** - risks that fall into the red and the orange zones of risk map.
5. **Key risk indicator (KRI)** – these are early indicators providing early signals of change in the risk factors in different areas of activity. KRI enable to detect potential risks and take early action to avoid the occurrence of risk events or minimize their impact on the organization’s operations.
6. **Risk tolerance** - is an acceptable level of deviation with respect to achievement of a particular purpose. Risk tolerance enables to carry out effective monitoring and prevent to exceed the level of risk appetite.
7. **The risk owner**  - the person (employee / structural unit / collegial body), responsible for all aspects of managing a certain risk, in particular, reducing the probability of risk occurrence and / or reduction of possible impact of effect of the risk occurrence to the Company and its subsidiaries and affiliates the organization of Company
8. **Department of risk management and internal control** – a responsible business unit of the Company for risk management.
9. **The Group of the Company** - The Company and its subsidiaries and affiliated companies of the Company.
10. **Subsidiary and affiliate** (hereinafter - SA) - a legal entity more than fifty percent of voting shares (share of participation) of which directly or indirectly belong to the Company.
11. **Risk Manager** - an employee of the business unit responsible for risk management.
12. The external entities - persons who are not employees of the Company’s Group.
13. **Risk factor** - a condition, state, the circumstances under which risk’s reasons that lead to the implementation of a risk are detected.
14. **External risk factors** - risk factors that arise outside the operating activities of the Company’s Group and are independent of the Company’s Group operations.
15. **The internal risk factors** - risk factors related to internal processes, organizational structure, human resources, and assets of the Company’s Group arising under operations of the Company’s Group.
16. **Cross-functional cooperation within risk management** – the process of management of cross-functional (inter process) risks (risks affecting targets of several functions (business processes), which is based on collective decisions taken jointly, based on available information of various functions (business processes).
17. **Event** - an occurrence or event with an internal or external source in respect to the organization that affect the achievement of objectives.
18. **The Fund** - JSC "Samruk-Kazyna"

# The field of application

1. This Policy shall apply to all type of activities of the Company. The Policy is mandatory for review and use by all business units of the Company and all employees of the Company. The Company's employees shall be guided by provisions set out in the Policy when carrying out their functional duties and implementing set tasks.
2. Taking into account the main objectives of the Company as a management holding company, as well as consolidation of financial results of subsidiaries and associates in financial statements of the Company, corporate risk management system of the Company shall have as one of its goals - the introduction and improvement of a unified risk management system in the Company’s Group. To achieve this goal, the Company oversees the process of implementing a risk management system in subsidiaries and affiliates, provides methodological, consulting support, and coordinates the activity on development and improvement of CRMS in the Company Group.
3. Company’s SA shall develop their own risk management policies. A list of minimum requirements for the content of the risk management policy of Company SA is set out in Appendix 2. Upon that, it is important to have unified approaches to the management of general risks within the Company Group, in connection with which the Company coordinates the activity on development and improvement of CRMS in the group of the Company.

# Responsibility

1. Risk owners shall bear responsibility for provision of timely, accurate, complete and adequate information used to generate a report on risks, risk register, action plan to minimize key risks of the Company.
2. Responsibility for management of these Rules shall be borne by a business unit responsible for risk management of the Company**.**

# Normative references and related documents

1. This Policy is designed to meet the requirements of the legislation of the Republic of Kazakhstan and the following internal documents of the Company (but not limited to):
2. Charter of "Samruk-Energy" JSC;
3. Risk Management Policy of "Samruk-Kazyna" JSC;
4. The Rules for management of in-house regulatory documents.

# General provisions

1. The main purpose of CRMS is to increase the efficiency of management threats and opportunities, which should contribute to the process of increasing capitalization. CRMS also sets the following goals:
2. Development and application of uniform and consistent approaches to the identification, assessment and management of risk in the Company group, simplifying the procedure for exchange of information about the risks vertically (management) and horizontally (exchange of experience);
3. creating possibility for the Company to set and monitor the quality of risk management in the Company group on the basis of clear and understandable criteria;
4. formation of information base for building a system of accounting for assets, their market value and valuation of share capital;
5. rapid response to emerging risk events, monitoring changes in the external and internal environment;
6. the organization of targeted risk management activities to reduce them to an acceptable level or transfer to third parties (insurance, hedging);
7. systematization and further accumulation of information about the Company risks, increase the manageability of business;
8. At the last – increase the capitalization of the Company and the Company Group by improving efficiency and optimizing risk management.
9. The main objectives of CMRS of the Company group are:
10. to prevent the occurrence of events that threaten the achievement of strategic and operational objectives;
11. if they occur, to reduce the impact of such events to an acceptable level,;
12. to respond effectively to unexpected situations and manage them;
13. to maintain a systematic risk management process, which is part of the overall process of providing effective internal control environment;
14. to provide reasonable assurance to stakeholders that the Company's group effectively manages risk.
15. CRMS serves as a tool that supports the process of managerial decision-making and daily operations of the Company. Therefore, the CRMS is designed to generate additional practical effect in the following areas of Company’s activity:
16. *Strategic planning process*. CRMS is a simple and practical tool to comply with requirements of Company’s regulations on strategic planning with regard to the identification, assessment and management of risks.
17. *The budget process*. Information on risks and plans for their management may serve as the solid substantiation of applications of the Company and individual units for allocation of resources, including financial
18. *The system of motivation and performance assessment*. Evaluating the effectiveness of risk management should serve as one of the criteria for assessing the performance of the Company, its business units and individual employees.
19. *Cross-functional and intragroup collaboration.* Plans for management of cross-functional and intra group risks serve as efficient and transparent tool for distribution of responsibility and coordination of activities of various business units and SA of the Company in the implementation of management process of such risks.
20. *Monitoring of risks at the proper level*. Risk assessment justifies the usefulness of consideration and monitoring of particular risk at a higher level of management by the Company
21. CRMS can not guarantee the success of the Company's group, however, effective risk management, implemented consistently and integrated across the Company group can provide major benefits:
22. greater certainty in achieving strategic and operational objectives set taking into account the risks and appetite for risk, by identifying and managing a variety of risks as a whole;
23. reduction of negative unforeseen events, reducing volatility and increase profitability by ensuring that the Company group take appropriate risks which are equal to its scale of operation.
24. the effective compliance with legal and regulatory requirements and management requirements;
25. the ability to monitor and respond to changes and trends in the external environment;
26. improving the quality of decision-making process and improving transparency;
27. increasing control over expenses and losses as well as maintaining cost-optimal control environment;
28. improving operating performance figures
29. timely detection of new opportunities and markets and turning them into capital.
30. Policies and procedures of CRMS are implemented in stages so the date for the implementation and full compliance will depend on the particular development phase of the general CRMS.
31. Internal Audit Services (hereinafter - the IAS) of organizations that belong to the Company's group shall conduct periodic checks - analysis of gaps and deficiencies in risk management system (including attracting external independent consultant). Annual plans for improvement of the Company's CRMS on a consolidated basis are drafted on the recommendations of IAS.
32. The mission of this policy is to maintain a risk management system which allows the executive bodies and governing bodies of organizations belonging to the Company group effectively manage and allocate resources in priority areas to ensure an acceptable level of risk for the Company and get more return from these investments by identifying, assessment, management and monitoring of risks.
33. The objectives of this Policy are:
34. building an effective and comprehensive system and creation of an integrated risk management process, as part of management of the Company and the Company Group, as well as the continuous improvement of activity based on best practices and a common standardized approach to the methods and procedures for risk management, to ensure the stability of its activity and protection of the value of the Company Group from risks.
35. ensuring the adoption of acceptable risks relevant to scale of activities by the Company and Company’s Group;
36. setting the risk appetite and ensuring the effective management of adopted risks.
37. The aims of this Policy are:
38. creation of full-fledged framework for decision-making and planning process;
39. providing a continuous coherent risk management process based on early identification, assessment, analysis, monitoring, control for ensuring the achievement of set goals
40. the introduction and improvement of the management system capable of preventing and minimizing the potentially negative events;
41. enhancing efficient use and allocation of resources;
42. prevention of losses and damages by improving the Company's group operating efficiency, that protects the assets of the Company group and equity capital.
43. ensuring the efficiency of business processes, the reliability of internal and external reporting and facilitating the adherence to legal norms.
44. A detailed description of the methods and procedures of risk management process, including the guidelines for providing and forms of reporting on risk management, tasks, functions and responsibilities of participants of major risks management process, risk management measures and other components of the risk management process are presented in the Company's internal documents (including this Policy), approved by the Board of Directors or the Management Board of the Company in accordance with the competence of each body.
45. The Company’s Group should take action to build a risk management system based on international standards and best international practices of risk management.
46. Regulatory documents in the field of CRMS shall be reviewed (if necessary, including this Policy) at least once a year to ensure their compliance with the objectives, scope and complexity of the Company’s activity and the risk management systems of the Company, must take into account the best practices of risk management and experience gained, as well as take account of new regulatory requirements, experience and standards for risk management.
47. Risk management should take place in the context of specific goals, tasks assigned to the Company group ,that are derived from approved policies, development plans and other internal documents. The Company and its subsidiaries have to determine the appetite for risk at least once a year, i.e. the ability to take risks to achieve their goals.
48. There must be a continuous exchange of information within the Company group in order to raise awareness about the risks, development of a risk culture and effective risk management. All employees shall receive timely assignment from management with respect to risk management, clearly understand their roles, the work they have to conduct, and how they should interact with their colleagues. Constant awareness of the executive bodies and governing bodies of organizations of the Company’s group on existing risks and their management shall be ensured. Also, there should be effective communication with third parties, such as customers, partners, regulatory and supervisory authorities and shareholders.
49. Monitoring of the CRMS is an important part of the whole process of risk management and evalutes as the availability of such system and the implementation of its components. Control shall be carried out by continuous monitoring of the implementation of policies, procedures and activities of risk management and targeted inspections. The scale and frequency of targeted inspections depends on an assessment of risks and the effectiveness of continuous monitoring. Governing and executive bodies of the organizations within the Company group should be informed about the shortcomings of the risk management system.
50. Every employee of the Company, to some extent, shall be responsible for risk management.
51. Rules and methods for risk management specific to SA of the Company’s group (for example, the risks at production site), shall be established by the management bodies and executive bodies of SA. Rules and methods for evaluating the main types of financial risks that are common to most organizations of the Company’s group shall be determined by the Company.
52. The introduction of the corporate risk management system in Company group shall mean the establishment and development of the necessary infrastructure and culture, and also entails the use of logical and systematic methods of identification, analysis and evaluation, monitoring, control and management of the risks inherent in all activities, functions or processes of the Company and (or) of subsidiaries and affiliates, in order to avoid losses and maximize profits.
53. In carrying out its activities under the Policy, the Company shall take into account the interests and risks occurrence consequences to the Company’s Sole Shareholder and other stakeholders.
54. The Policy shall be posted on the website of the Company and its main provisions shall be disclosed in the Company's annual report. Policies and other documents in the field of risk management shall be available to all employees and officers of the Company through electronic document management system. All the employees and officers of SA shall be informed of changes in the risk management system through electronic document management system.

# CRMS structure

1. Risk management in the Company shall be permanent, dynamic and continuous process, and consist of the components according to the following scheme:

**Picture 1**: Risk management process

Risks evaluation

Risk management

Control over risks

Risk identification

Information and communication

monitoring

Goal setting

**Internal environment**

**Risk management process**

1. The internal environment shall determine the general attitude to risk of the Company group, and how its employees see and respond to risks. The internal environment is the foundation for all other components of the risk management system, including risk management philosophy, risk appetite, control by the governing bodies, ethical values, competence and responsibility of employees, the structure of the Company, its possibilities determined by human, financial and other resources.
2. The Company's activity shall be aimed at creating an internal environment that increases the employees’ awareness of risks and increases their responsibility for risk management. The internal environment must support the following principles of the Company's activity:
3. the identification and consideration of all forms of risk when making decisions and support of an comprehensive vision of the risk by management of the Company;
4. the establishment and evaluation at the level of the Company group, such a risk profile that best meets the objectives of the Company Group as a whole;
5. support a sense of ownership and responsibility for the risks and risk management at the appropriate levels of management hierarchy (the Company, subsidiaries and affiliates, business units and so on). At this, risk management does not mean the transfer of responsibility to the other;
6. monitoring of compliance with internal policies and procedures of the Company and condition of the corporate governance system;
7. timely information on important (critical) risks and shortcomings of the risk management system;
8. Understanding that the Policy and risk management procedures are obligatory.
9. Relations between the Company Group and external environment (business structures, social, regulatory and other government and financial authorities) shall be reflected in the internal environment of the Company’s Group and influence its formation. The external environment is complex in structure and includes a variety of industries which are interconnected, and creates conditions for the occurrence of systemic risks.
10. The basic principles of the risk management process in the Company are as follows:
11. integrity - consideration of the elements of the overall risk management of the Company group in the context of corporate risk management system;
12. openness - a ban on the consideration of corporate risk management system as a stand-alone or independent;
13. structuring - a complex system of risk management has a clear structure;
14. awareness - risk management is accompanied by the presence of objective, reliable and relevant information;
15. continuity - the risk management process is carried out on an ongoing basis;
16. cyclicality - the risk management process is continuously repeated established cycle of its main components.
17. The structure of the risk management system of the Company is represented in the Company Group by risk management at several levels with the involvement of following bodies and departments of the Company: Board of Directors, the Board, Risk management board, a business unit responsible for risk management, IAS, other business units.
18. **The first level is represented by the Board of Directors.** Board of Directors plays a key role in overseeing corporate risk management system.
19. The Board of Directors shall perform the following functions in the field of risk management:
20. approval of the Company's Risk Management Policy;
21. approval of other policies in the field of risk management of the Company;
22. approval of the level of responsibility for monitoring and control over risks of the Company through approving this Policy;
23. setting of the Company’s goals (short- and long-term);
24. approval of the rules and procedures for the Company’s risks management;
25. analysis of external audit opinions on improvement of internal control and risk management and the results of audits conducted by the IAS;
26. approval of the register, the Company's risk map and action plan for the management of critical risks;
27. approve risks and controls matrices;
28. approval of reports on the risks (structure and content of the report on risks listed in Annex 1);
29. approval of the Company's business continuity plan in the field of information technology and recovery of critical IT resources (developed by the department responsible for provision of IT resources);
30. approval of plans for the continuity of operations of the Company regulating the ways of incident management, restore and support the Company's activities to the limits in the event of violations (responsible developed a structural subdivision of the Company);
31. approve the indicators of risk management system efficiency and shall annually assess the effectiveness of the company’s risk management system;
32. consideration of reports on the effectiveness of the risk management system;
33. considers quarterly reports of the head of risk management business unit that includes the description and analysis of key risks of the company, as well as information on the implementation of plans and programs to mitigate key risks of the Company;
34. setting the form and deadlines for submission of financial and management statements to the Board of Directors that ensures the possibility to analyze and evaluate Company’s financial performance.
35. approval of the risk appetite of the Company on a consolidated basis;
36. approve limits;
37. approval of key risk indicators;
38. monitoring activities through committees of the Board of Directors.
39. In order to implement an effective risk management, committees of the Company’s Board of Directors may be assigned functions and powers to support the Board of Directors which are determined by the relevant regulations.
40. **The second level – the Management Board of the Company**, responsible for the organization of an effective system of risk management and establishing the structure of control over risks to ensure compliance and adherence to corporate policies. The Management Board shall be responsible for creating a culture of "risk awareness", which reflects the policy of risk management and the philosophy of the Company. The Management Board shall also be responsible for establishing an effective risk management system so that employees have clear responsibilities for risk management and are responsible for the performance of their duties. The Management Board shall have the right to carry out some of the functions of risk management through the establishment of relevant committees.
41. The Management Board shall ensure the integrity and functionality of the risk management system by performing the following functions:
42. implementation of the Risk Management Policy;
43. organization of an effective system of risk management that allows identifying and evaluating potential risks;
44. providing the Board of Directors with reports according to the approved regulations;
45. ensuring compliance with provisions of the policies by the Company’s business units;
46. approval of the Company's organizational structure that meets the needs and ensures adequate control over risks and their reduction;
47. Review risk management reports of the Company on a consolidated basis and taking appropriate steps within its competence
48. Approval of response activities and methods of risk management in the Company and some of the activities in Company group within regulations approved by the Board of Directors;

8) improvement of internal procedures and regulations in the field of risk management;

1. Review of quarterly reports of the Board of Directors (Supervisory Boards) of subsidiaries and affiliates on key risks.
2. ​​The Company (at the level of Head office) shall appoint Risk Officer of the Company who oversees issues related to risk management of the Company on a consolidated and individual basis. Risk Officer must not be the owner of the risk, which ensures the independence and objectivity in decision making by Risk Officer of the Company; Risk officer shall be appointed from among executives and must meet the following requirements:
3. The risk officer should report directly to the Company’s CEO;
4. The risk officer should not combine the functions related to financial risks (economic planning, corporate finance, treasury, accounting);
5. Combination of Risk Officer position with corporate governance and strategic planning positions shall be permitted.
6. Risk Officer should not be a member of the Audit Committee of the Company in order to avoid conflicts of interest
7. The following requirements must be met in subsidiaries and affiliates of the Company (including in companies that are in the stage of development):
8. The business unit (person) responsible for risk management in the company should not combine the functions related to financial risks (economic planning, corporate finance, treasury, accounting);
9. combination of risk management functions with corporate governance and strategic planning functions shall be permitted.
10. to avoid conflicts of interest, the head of business unit (person) responsible for risk management in the company should not be a member of the Audit Committee of the Company.
11. For the purpose of effective organization of risk management, the collegial bodies under the Management Board of the Company may be entrusted with functions and powers to support the Management Board, which are determined by the relevant in-house documents of the Company.
12. **The Committee for risks and management system** shall operate to ensure the horizontal communication and effective implementation of CRMS in the Company’s group; it is an advisory body under the Management Board of the Company that develops proposals regarding risk management, whose main functions include:
13. to consider key risks of the Company and the effectiveness of risk management measures;
14. to approve the risk appetite, tolerance levels for each risk and limits for submission to the approval of the Board of Directors;
15. to approve key risk indicators to be submitted to the approval of the Board of Directors;
16. to consider proposals on risk management business unit for development of policies, procedures and risk management framework to be submitted to the approval of the Board of Directors;
17. to negotiate risk register, risk map, risks and controls matrix to be submitted to the approval of the Board of Directors;
18. to discuss the risk management matters in the Company group that are submitted for consideration by the Management Board and / or the competent authorities of SA and that affect the interests of more than one SA of the Company group;
19. to consider in-house regulations for risk management of the Company and its subsidiaries, and suggested and/or recommended for use in more than one subsidiary and affiliate of the Company group;
20. to consider risk management matters that are relevant to more than two subsidiaries and affiliates of the Company group;
21. to analyze existing critical risks of the Company and its SA and their management methods;
22. to consider new approaches to risk management and their applicability to the Company and its SA;
23. other functions according to instructions of the Board of Directors and the Management Board.
24. The work of the Risk Council shall be governed by Regulations on the Risk Council approved by the Company’s Management Board.
25. The third level in the risk management process is a business unit of the Company responsible for risk management, whose main functions are (including, but not limited to):
26. preparation of recommendations for the development of policies, procedures and framework for risk management;
27. procedures for monitoring of the Company’s risks
28. providing support to business units of the Company on all matters related to operation of risk management system
29. monitoring and communicating to the Management Board and the Board of Directors on significant deviations from the established risk management processes;
30. Monitoring of external factors that can have a significant impact on the Company's risks;
31. provision of quarterly reports and conduct at least two meetings with the Board of Directors and the Audit Committee to share information on description and analysis of the Company’s risks, as well as information on implementation of plans and programs to minimize the risks of the Company;
32. coordination of training programs on risk management;
33. monitoring the compliance with limits and policies for the management of Company’s key risks;
34. coordination of the risk register, risk maps and risk and controls matrix preparation processes, ensuring meetings, discussions, data reduction and presentation of draft materials for approval to the Risk Management Committee and approval by the Board of Directors;
35. monitoring the implementation of plans and programs to minimize risks;
36. hold quarterly meetings with risk owners of the Company to discuss the matters on identification and assessment of risks identified as well as emerging ones;
37. introduction and improvement of risk management process in the Company Group through the Boards of Directors of SA;
38. maintenance of occurred risks database, monitoring external factors that may have a significant impact on risks;
39. the preparation of information on risks(including on a consolidated basis) and providing the Management Board and the Board of Directors of the Company with it.
40. participate in the organization of periodic assessment of risk management systems of subsidiaries and affiliates through making proposals on evaluation of subcomponent "Risk Management" within the diagnostics of the corporate governance level and proposals on methods of evaluating the effectiveness of corporate risk management system;
41. the development, implementation and updating (if necessary) a methodological framework, policies, rules for risk management, procedures for monitoring risks;
42. To ensure integration of risk management into other business processes and the development of risk management culture in the Company group;
43. review and approval of regular reports on SA risks submitted for consideration by the Board of Directors (Supervisory Board) of SA;
44. coordination of projects with strategic directions, investment projects of the Company, SA in terms of sufficiency of disclosure and analysis of information on risks;
45. implementation, analysis and revision of regulatory and operational documents of SA in the field of risk management;
46. to propose in terms of trainings and seminars on risk management for the Company's employees;
47. interaction with IAS of the Company with regard to formation of internal audit plan, exchange information, discuss the results of audits, sharing knowledge and methodologies;
48. identification of possible cases of risk emergence, actual or potential, negative trends evidencing an increase in the risk, analysis of factors that caused the risk and assessment of the scale of the expected loss.
49. Responsibility, authority of employees of business unit of the Company responsible for risk management, and requirements to reports submitted shall be set forth in this Policy, Regulations on business unit responsible for risk management, and job descriptions of employees of the Company’s risk management business unit.
50. Employees of the Company’s business units responsible for risk management must interact with other business units and SA, as well as external and internal auditors of the Company for the effective implementation of the goals and objectives of the risk management system.
51. Employees of the Company’s business unit responsible for risk management should have access to information, the Company's documents necessary for the performance of their functional duties specified in this policy and job descriptions of these employees.
52. **The internal audit service** of the Company has the following main functions in the process of risk management:
53. audit of risk management procedures and methodologies for risk assessment and development of proposals on improvement of risk management procedures’ efficiency;
54. presentation of the report on the effectiveness of risk management system to the Board of Directors, including at least once every three years, report on the independent evaluation of the effectiveness of the risk management system;
55. other functions in accordance with the approved regulations;
56. once every three years, audit of procedures in the framework of plan for the improvement of CRMS which shall be prepared by the external auditor and is updated on a regular basis.
57. One of the important elements in the structure of risk management system **is business units of the Company represented by every employee**. Business units (risk owners) should understand that they play a key role in the risk management process. Company employees shall work with risks every day, manage and monitor their potential impact in the field of their duties. Business units shall be responsible for the implementation of the action plan for risk management, must timely identify and report on significant risks within their respective fields and give suggestions on risk management for inclusion in the action plan.
58. The main functions of business units of the Company in the risk management process are as follows:
59. identification and assessment of risks on an annual basis including a quarterly review;
60. participation in the development of methodological and regulatory documents within their competence;
61. make proposals for the development of action plans for risk management and risk reduction actions;
62. implementation of the approved actions aimed at responding and management of risks and regularly submit reports on implementation of risk management actions;
63. facilitate the development of risk communication;
64. provide information on the occurred risk;
65. In order to effectively arrange the performance of risk management system, risk coordinator shall be appointed in each business unit of the Company whose duties include the organization of work on risk management in its business unit and cooperation with the unit responsible for risk management in the Company, at all stages of implementing CRMS procedures of the Company.
66. In order to maintain and improve the risk culture in the Company, trainings for familiarizing new employees and periodic introduction of all employees with current CRMS of the Company group (at least annually) shall be conducted. Upon completion of training, employees of business units departments coordinating matters of risk management (risk coordinators) shall sit control tests to check the knowledge gained.

# The interrelation of risk management process with strategic planning and operations, budgeting and motivation

1. The objectives of the Company shall be determined at a strategic level and establish a basis for the development of operational goals. Company Group shall be exposed to the action of risks from external and internal sources, and setting goals is the main condition for the efficient identification, assessment and development of risk management methods.
2. The objectives of the Company group shall be determined by the Company before identification of potential risks that may negatively affect their achievement. Corporate Risk Management offers verification that the process of determining goals and objectives that are aligned with the mission and are consistent with the risk appetite of the Company group is available in the Company group.
3. The Company group shall annually or as necessary establish alternative ways to achieve its objectives and identify risks associated with these alternatives or events that may affect the achievement of objectives. Such analysis provides a basis for identifying risks.
4. The risk management process shall be based on cross-functional interaction. The process of managing cross-functional (inter-process) risks (risks affecting targets of several functions (business processes)) shall be based on collective decisions taken jointly, on the basis of information that is available in various units (participants and heads of business processes).
5. The interrelation of risk management process with **strategic planning** process shall include the following (but may not be limited to the mentioned below):
6. the process of developing strategic plans must include the identification and analysis of risks that may affect the achievement of strategic goals;
7. the Company's strategic plans for the group should include a set of measures aimed at minimizing the potential adverse effect of the main risks associated with the implementation of planned strategic initiatives.
8. The interconnection of the risk management process with **operating activity** shall include the following(but may not be limited to the mentioned below):
9. action plans for risk management (and, where appropriate, their individual stages) should be included in the respective annual plans of the business units of the Company.
10. the risk owner should objectively assess the time and administrative resources required for implementation of action plan for risk management suggested by him, and mention obtained assessment in the relevant risk report;
11. employees of structural units should be provided with necessary time and administrative resources to implement actions set forth in the Action plans for risk management;
12. employees of the Company’s business units shall submit reports on occurred risks according to the Fund’s Regulations on accounting and analysis of occurred risks. Subsidiaries and affiliates should develop and approve their own documents for accounting and analysis of occurred risks according to internal regulations of subsidiaries and affiliates and taking into account available technologies to automate of occurred risks registration.
13. The initiators of items submitted for consideration of the Management Board and the Company’s Board of Directors shall include paragraphs that describe risks associated with both acceptance and non-acceptance of decisions to be taken in their materials (explanatory notes).
14. The interconnection of the risk management process with **investment and lending activities** (when receiving, granting of a loan, financial aid and financial guarantees) shall include the following (but may not be limited to the mentioned below):
15. The initiators of investment projects (including projects under consideration by the Credit Committee of the Company and Innovation Investment Council Company, or other authorized collegial body) should provide for identification and analysis of risks that may affect the implementation of investment projects and achievement of goals of the investment project when reviewing and developing investment projects.
16. The initiators of process of obtaining /granting a loan (borrowing / disbursement) should include an analysis of risks for financial stability of the Company according to the Policy for debt and financial stability management of "Samruk-Kazyna" JSC including, but not limited to, the analysis of the effect on compliance with the standards established by the Management Board, external creditors (if any).
17. initiators of the process of obtaining/granting a credit (loan) and financial guarantees to counterparties should include an analysis of the credit risk according to the Rules for setting limits for corporate counterparties of "Samruk-Kazyna" JSC, Rules for provision of guarantees of "Sovereign Wealth Fund "Samruk-Kazyna" JSC, Internal Credit Policy of “Sovereign Wealth Fund “Samruk-Kazyna" JSC.
18. In the cases where the execution of actions plans for risk management requires the engagement of administrative or time resources of related business units (cross-functional risks) of the Company, the risk owner supported by an employee of the risk management business unit shall approve the allocation of appropriate resources with heads of these units.
19. Interrelation of the risk management process with **budgeting** process:
20. prior to the approval of the Action Plan for risk management by Company’s Management Board, owners of risks need to provide for the necessary financial resources for the implementation of the proposed Action Plan for risk management and to work out the matter with the business unit responsible for budgeting;
21. Factors and risks charts of Development plans in accordance with the Rules for development, negotiation, approval, correction, execution and monitoring of execution of the development plans of “Samruk-Energy" JSC SA shall be completed on the basis of approved risk register.
22. The interrelation of risk management process with the process of staff motivation shall include the following (but may not be limited to the mentioned below):
23. responsibilities of CRMS participants on the implementation of all procedures provided for them by the system must be formalized, and the monitoring of performance or non-performance of the relevant obligations during the reporting period must be conducted;
24. It is also recommended to provide for mechanisms for encouragement designed to motivate executives and employees of the Company to operate within the risk management system properly, in accordance with established timelines and targets.

# Functioning of CRMS process: Calculation of risk appetite

1. After determination of strategic goals (strategic development directions), the Company shall identify risks that may prevent the Company to achieve its goals. The Company shall also determine the risk appetite - the amount of risk that is acceptable for the Company to achieve its goals.
2. The Company shall determine the risk appetite for each of the strategic objectives (strategic development directions).
3. Risk appetite shall determine the ceiling of critical risks level on a consolidated basis, which the Company is ready to accept. It also has an impact on distribution of resources, the organization of processes and creation of infrastructure within the organization required for effective monitoring and responding to risks.
4. Risk appetite (risk appetite statement) of the Company for the planning period on a consolidated basis shall be approved by the Board of Directors and has the following characteristics:
5. reflects the Company group’s strategy, including the objectives, business plans, financial constraints and the expectations of stakeholders;
6. covers all key aspects of (trends) activity;
7. takes into account the desire and ability to take risk;
8. determines the Company's attitude to risk;
9. is periodically reviewed taking into account the industry and market conditions;
10. requires effective monitoring of the risk;
11. includes both quantitative and qualitative indicators;
12. In calculating the quantitative risk appetite, the Company shall adhere to conservatism concept in calculations, and shall use financial performance for past few years for the calculation of weighted averages for the period, which enables to minimize random fluctuations. Then weighted averages shall be multiplied by maximum permissible values.
13. Calculation of the quantitative risk appetite shall be effected by a business unit (person) responsible for risk management, and submitted for approval by the management body.
14. In calculating the quantitative risk appetite, a level of appetite for risk which does not violate the principles of financial sustainability shall be determined. Thus, the higher leverage on the consolidated level, the lower is the risk appetite. This approach shall provide a liquidity cushion for cash cover of losses in the event of losses from risks.
15. Calculation of the quantitative consolidated risk appetite of the Company shall be made on the basis of coefficient K2.1 (according to the debt management and financial stability policy of JSC "Samruk-Kazyna"), target value which is approved for the Company by the Fund’s Management Board, or on the basis of covenants on attracted loans set by lenders. At this, the most strictest value from the set limitations shall be used.
16. The higher the actual value of the K2.1 coefficient, the lower financial stability, the lower borrowing capacity and the Company is ready to accept less risk and the lower the risk appetite.

1) In order to provide quantitative risk appetite for the Company on a consolidated basis, the Company's subsidiaries and affiliates should determine their own risk appetite, with mandatory compliance with the following conditions:

1. In order to provide quantitative risk appetite for the Company on a consolidated basis, the Company's subsidiaries and affiliates should determine their own risk appetite, with mandatory compliance with the following conditions:
2. Calculation of the quantitative consolidated risk appetite for SA shall be based on the K2.1 coefficient (according to the debt management and financial stability policy of JSC "Samruk-Kazyna"), the target value of which for SA shall be approved by the Board of Directors of the Company, or on the basis of covenants on attracted loans established by creditors. At this, the strictest value from established limitations shall be used.
3. For SA under development (SA that do not generate income and are in the investment stage), SA with a predicted negative return, as well as SA who do not have long-term commitments for the period under review, the risk appetite shall be set at up to 40% increase of the planned losses.
4. Control shall be carried out in the framework of the general control over the process of identification and assessment of risks and shall be provided by the Company’s IAS.
5. All the results and suggestions for the Company's risk appetite should be agreed with the relevant business units, including those responsible for strategy, planning and corporate finance.
6. Received value of risk appetite shall be accepted as a basis for taking further decisions on risk management.
7. The Company shall provide, on a consolidated basis (Company group), risk appetite by accepting unbudgeted losses on its balance sheet (i.e. financing of losses as they occur at the expense of current cash flows or equity).
8. Risk-tolerance shall be applied in order to effectively monitor and avoid exceeding the risk-appetite in the Company Group. Risk tolerance shall be measured in the same units as similar goals.
9. Levels of tolerance to key risks on the basis of two main approaches (the below) shall be approved by the Management body resolution:
10. objective approach. It takes into account the requirements of laws, regulatory and legal instruments of state supervisory authorities, internal documents. In some cases, levels of tolerance to key risks shall be set according to regulatory documents, as well as standard-setting documents of state supervision agencies. In case the supervisory authorities change the requirements, respective threshold shall be revised.
11. Subjective approach. Levels of tolerance to key risks shall be determined through a survey or questionnaires among experts. In this approach, the experts shall determine the threshold which is the level of tolerance to key risk on the basis of existing knowledge and experience.
12. Tolerance to key performance indicators (hereinafter - KPI), maximum permissible deviation from KPI shall be indicated by the owner of KPI in development plans (in the table of factors and risks in the column "Threshold value of KPI (risk tolerance)."
13. Activity within the tolerance levels to key risks shall provides the management with a higher degree of confidence that risk appetite will not be exceeded. This, in turn, gives the Company Group a greater degree of confidence in achieving the set goals.
14. Levels of risk tolerance shall be monitored following the approval of risk-tolerance. Risk tolerance levels shall be reviewed in the event of emergence/identification of new risks or upon the occurrence of risk events. The business unit responsible for risk management shall monitor the compliance of risk tolerance levels with key risks each quarter according to the following order:
15. actual results of deviation of risk tolerance levels from planned figures are compared;
16. In case of deviation, the business unit responsible for risk management together with concerned business units shall determine the cause and take further steps to reduce the impact resulting in adjustment of actual indicators of tolerance levels within the set planned corridor to each risk or shall revise it.

# Risk Identification

1. The Company shall identify potential events in compliance with the Rules for identification and assessment of "Samruk-Energy" JSC risks which may affect the Company Group's operations, and shall determine whether they represent an opportunity or a risk. Various internal and external factors that may cause risks and opportunities company-wide must be considered when identifying events.
2. Identification of risks - determination of the exposure of the Company to the impact of events, on a consolidated and individual basis, the occurrence of which may adversely affect the ability to achieve the planned goals and implement its objectives. The purpose of risk identification procedure is to detect risks and their inclusion in the Risk Register.
3. Identification of risks and the availability of realistic unbiased point of view on existing risks is one of the foundations of effective risk management, contributing to the achievement of the Company group’s goals.
4. Risk identification shall provide a tool to determine the direction and the need to improve the risk management process.
5. Identification of risks can increase the level of confidence in achieving of set objectives through an overview of the risks and their basic characteristics, determining the relationship of risk to each other, ranking the risk level of the Company group, and separate subsidiaries and affiliates’, raising awareness of risks and methods of their management as well as focusing on the most critical risks.
6. Risk identification shall provide a tool for registering and informing possible adverse events that could adversely affect the achievement of goals and objectives set to the Company group and each of its employees as well as for determination of the direction and the need to improve the risk management process.
7. Every employee of the Company’s Group shall on an ongoing basis identify and evaluate risks affecting the achievement of the Company Group goals in particular goals and objectives set to each employee of the Company.
8. CRMS of the Company group shall be designed to identify a wide range of risks and consider them comprehensively, which contributes to reflection of the complete picture of risk and improves the quality of risks analysis.
9. In line with main international standards of risk management, the Company group identifies risks on a regular basis with the participation of employees of all departments in order to identify the maximum range of risks, raise awareness of surrounding risks and promote the development of a risk culture in the the Company group’s SA.
10. A combination of different techniques and tools shall be used in order to identify risks; they include risk identification based on set goals and objectives, industry and international comparisons, workshops and discussions, interviews, data bases of losses incurred etc. described in greater detail in the Rules for identification and assessment of "Samruk-Energy" JSC risks.
11. Identified events and risks are systematized in the form of risk register. The company’s **Risk Register** is a list of risks that the Company faces in its operations; it also includes various scenarios of possible risk occurrence. Risk owners shall be identified for each risk, i.e. business units that deal with this risk by virtue of their functional duties. Risk register shall be supplemented by business units of the Company on an ongoing basis as new risks are identified.
12. It is recommended to identify risks and approve the Risk register of the Company and the Company group’s SA prior **to the approval of the Development plans** in order to ensure advance submission of request for expenses in connection with implementation of the action plan for risk management.
13. The Management Board and the Board of Directors of the Company and the relevant committees shall be provided with results of the identification and risk assessment in the form of a Report on risks, which includes information on critical risks, action plans for management of critical risks.
14. For classification of risks in the Company group,the grouping of risks by the following categories shall be used:
15. strategic risk (S)- the risk of losses due to changes or errors (defects) in the determination and implementation of business strategy and development of the Company, changes in the political environment, the regional situation, the industry downturn, and other external factors of a systemic nature;
16. The financial risks (F)- include risks connected with the capital structure of the and decreased profitability. Financial risks shall include market risks (currency and interest rate fluctuations, fluctuations in the price of natural resources), liquidity risks, credit risks ( on counterparty banks, second-tier banks and on requirements in other countries);
17. legal risk (H)- the risk of losses due to non-compliance of requirements of legislation of the Republic of Kazakhstan by the Company, in relations with non-residents of the Republic of Kazakhstan - the laws of other states, as well as internal rules and procedures;
18. operational risk (O) - the risk of loss resulting from deficiencies or errors in internal processes, committed by employees (including personnel risks), the functioning of information systems and technology (technological risks), occupational heal and safety, as well as due to external events.

# Risk assessment

1. The identification and assessment of risks aimed at providing a common vision for the existing risks and their size through the base ranking to determine the weakest point. This process allows an assessment of the methods and procedures for managing major risks.
2. Evaluation of the probability of risks and the possible impact which allows to develop an appreciation of the risks, provides the necessary information base for decision-making about the necessity to manage certain risks, as well as the most appropriate and cost-effective strategies to reduce it.
3. The process of risk assessment is carried out to highlight the most important (critical) risks that could adversely affect the Company's operations and the achievement of strategic goals and objectives. These risks should be brought to the Board of Directors that must make decisions about the management and control of these risks.
4. Within the scope of the assessment and analysis of risks in the Company a qualitative, quantitative analysis or its combination are used, which create a methodological base of risk management process.
5. Risk assessment includes consideration of the sources and causes of each risk, the negative effects of their implementation, and the probability that a particular activity will occur.
6. An initial risk assessment is carried out on a qualitative basis, then for the most significant risks quantified assessment can be made. Risks that cannot be quantified, there is no reliable statistical information for their modeling or building such models is not feasible in terms of cost, they are estimated only on a qualitative basis. Quantitative evaluation allows for more accurate analytical data, and is especially useful in developing methods for risk financing.
7. All identified and assessed risks are reflected on the **risk map**. Risk map is graphic and text description of limited number of the Company's risks, located in a rectangular table, at one "axis" which shows the force of impact or significance of risk, and at the other the likelihood or frequency of its occurrence. Horizontal axis on the map shows the probability or frequency, and the vertical axis shows the force of impact or significance. In this case, the probability of risk emergence increases in moving from left to right on the horizontal axis and the impact of the risk increases from bottom to the top on the vertical axis. Risk map allows estimating the relative importance of each risk (compared with other risks), as well as highlighting the risks that are critical and require the development of actions for their management.
8. Consolidated risk appetite of the Company shall be used to determine the level of risk influence on the Company at a consolidated level.
9. The Company shall assess the individual risks using various quantitative methods as a VAR, gap analysis, the method of historical simulation, stress testing, etc. The assessment procedure shall be governed by the Rules for assessment of interest rate risk, currency risk and liquidity loss risk and other in-house documents of the Company.

# Risk management

1. The Company group shall define methods for risk response and develops a plan to manage critical risks.
2. Risk management is the process of development and implementation of measures to reduce negative effects and the expectancy of losses or receive financial compensation upon the occurrence of losses connected with risks of the Company group’s operations. To ensure the process efficiency and reduce the cost of its implementation, the Company group must focus on the risks that can have the most significant effect on its financial position and achieving goals and objectives. Action plans for critical risks management of the Company/SA shall be reviewed and approved annually by the management body of the Company/SA, and shall be subject to compulsory implementation by all business units of the Company.
3. The choice of methods to respond to risks and development of activities plan for critical risk management in order to ensure an acceptable level of residual risk shall include the following response strategies:
4. reduction and control of risk – deal with the risk through the use of preventive measures and contingency planning in the event of a risk that involves a change in the degree of probability of the risk to decrease and the change causes or consequences of the implementation of risk in order to reduce possible losses;
5. retention / assumption of risk, implying that the level permissible for the Company, and the Company assumes the possibility of its manifestation, it is also possible to assume a residual risk after the assumption of measures to minimize it;
6. financing risks - transfer / risk sharing or partial transfer of the risk of the other party, including the use of various mechanisms (contracts, insurance agreements, the determination of the structure), allowing the sharing of responsibilities and obligations;
7. care (avoidance) the risk / reduce the risk by decision against continuing or taking action that is the source of the risk.
8. subsequent action – a strategy that provides for dealing with consequences resulted in the occurrence of risk event. Usually, this strategy applies to risks characterized by low level of control and / or a low probability of occurence. This type of strategy may include risks insurance, hedging, and the development of emergency response plans, plans for business continuity.
9. Proposals for strategies, methods and risk management plans shall be submitted by the owner of risks and be included in the action plan for risk management.
10. The Company business units who are risk owners shall quarterly present reports on implementation, approved action plans according to the Rules for risk assessment and identification in the prescribed manner.
11. **Reduction and control** of risks involve activities aimed at:
12. prevention of loss – reduction of the likelihood of a particular risk (loss);
13. control of losses - reduction of the amount of loss in the case of risk occurrence;
14. diversification - allocation of risk in order to reduce its potential impact.
15. Methods and control risks involve the introduction of procedures and processes in the Company group aimed at the reduction of the possibility of losses occurrence.
16. Methods for reducing and controlling financial risks of the Company and the Company Group shall include:
17. for credit risks - setting limits on the level of accepted credit risk of corporate counterparties, second-tier banks, as well as setting limits to the requirements amount in other countries. Limits on credit risks shall be governed by the Rules for credit risk management on corporate counterparties, Rules for setting limits on balance sheet and off-balance sheet liabilities for counterparty banks, Rules for setting country limits, Internal credit policy, the Rules for provision of Guarantees and other documents adopted for their development.
18. for market risks - control and calculation of potential losses level, the use of hedging tools and diversification. Assessment of market risks shall be governed by Rules for currency risk management, Rules for interest rate risk management.
19. for liquidity risks - setting limits on the level of leverage of the Company and subsidiaries and affiliates of Company Group. Limits on the level of leverage and financial stability shall be regulated by the Policy for debt and financial stability management of the Company.
20. the risk of loss emergence resulting from deficiencies or errors in implementing internal processes, committed by employees (including personnel risks), the functioning of information systems and technologies (technological risks), as well as due to external events.
21. The methods for reducing and controlling legal risk of the Company are the monitoring changes in legislation by authorized legal department of the Company, which together with concerned business units shall assess the impact of changes on the Company's activities and develop measures necessary for their adoption. Any document which regulates internal procedures of the Company or in accordance with which the Company incurs liabilities should undergo a mandatory examination by an authorized legal service of the Company.
22. Reduction and control of strategic risks of the Company are carried out by monitoring the implementation of the approved short-term and long-term plans and strategies, the results of which corrective measures are taken, including reflection of changes in the internal and external environment.
23. The reduction and control of operational risks, the Company is carried out by analyzing the established business processes and the development of appropriate action plans for their improvement, implementation of the system of internal controls. For operational risks in the production and control risks is carried out by observing the rules of health and safety rules to comply with environmental safety rules of the workplace.
24. If the methods used to reduce and control the risks associated with the costs and these costs are significant, conducted the following analysis:
25. The extent to which these measures are necessary and whether they can be reduced by retaining and / or financing (transfer) risks;
26. What is the opportunity cost of the cost of activities compared with the cost of retention / transfer risks.
27. **Hold risks.** In the course of identifying and assessing key risks calculated risk appetite of the Company.
28. The risk appetite of the Company is financed by the Company's current income and retained earnings of previous years and has no direct allocation to unplanned losses (ie losses due to occurrence of risk directly reduce profit).
29. The distribution of the Company's risk appetite for risk is based on an analysis of the impact of each risk and the cost of risk transfer, ie more expensive than the cost of the transfer of risk, the higher the probability of risk retention by the Company's equity.
30. **Financing (transfer) of risks** includes the following tools:
31. insurance (for "pure" risk - risk of the occurrence of which involves only the losses and cannot lead to the production of income);
32. hedging (for "speculative" risks - risks that can lead to losses and to income);
33. the transfer of risk under the contract (transfer of responsibility for the counterparty risk for an additional fee or a corresponding increase in the contract value);
34. conditional credit line - access to bank financing on agreed terms upon the occurrence of certain events;
35. other alternative methods of risk financing
36. The main feature of these instruments is the presence of "payment" for the risk, it accordingly requires an optimal use of this tool in order to reduce the Company expenses.
37. **Avoiding risk / reduction of the risk** involves activities aimed at stopping or abandonment of operations that could potentially lead to negative consequences for the Company.
38. The choice of the most appropriate option is made in view of balance of the costs connected with the specific method, with the advantages that implies its use, and other direct and indirect costs.
39. The application of appropriate measures and respond methods to the risks is described in terms of activities on the critical risk management. The plan includes a list of necessary activities and responsible persons.

# Control activities

1. After identification key risks and risk management measures, defines the basic business processes exposed to these risks. Step by step analysis of business processes is carried out to determine the need and feasibility of introduction of appropriate control actions. In addition, the analysis of the planned activities on risk management and control activities are defined and (or) the indicators necessary to ensure the effective execution of such activities. Control activities themselves are often the risk management methods.
2. Control activities are the policy and procedures that help ensure that the risk management measures. Control activities are included in the business processes at all levels of organizations belonging to the group of Samruk-Energy. Control activities include a wide range of measures, such as an endorsement, authorization, verification, coordination, analysis of operations, security of assets and distribution of duties.
3. Responsibility for the analysis of business processes and determination of the need and feasibility of introducing additional control actions shall be borne by risk owners - heads of relevant business units of the Company.
4. Regular reports on risks and response actions shall include main results and conclusions of the risk management process in the Company
5. The Company shall control over current risks and execution of measures to address risks on the basis of regular reporting on risks.
6. Employees and officers of the Company shall be entitled to inform confidentially the Company's Audit Committee or the Board of Directors of a violation or incorrect execution of risk management procedures and internal controls, or other policies, as well as cases of fraud, violations of the law.

# Information exchange and monitoring

1. Risk management structure of the Company and its subsidiaries provide an adequate flow of information - both vertically and horizontally. At the same time the information coming from the bottom to top shall provide the Board of Directors and the Management Board with information: about the current activities; on risks taken in the course of activities, their evaluation, monitoring and methods of response and the levels of their management. The information sent from top to bottom, shall provide communicating goals, strategies and objectives by approving internal documents, regulations and instructions. Transfer of information horizontally shall provide for interaction of business units within the Company and interaction of business units responsible for risk management in Company group.
2. The objectives of the process of regular information exchange on risks within the Company Group are:
3. to allocate personal responsibility for the management of these or other significant risks to respective heads (risk owners);
4. promptly communicate to the Company’s Board of Directors the information on all risk which needs to be managed at an appropriate level of the Company’s Group
5. timely communicate to persons who perform risk management activities the information about their personal responsibility for implementation of relevant activities (including the expected results, timing, resources, etc.);
6. To ensure the effective exchange of information in the management of cross-functional risk of the Company group.
7. The exchange of information between the Company’s business units shall be ensured during the implementation of each component of the risk management system. All materials and documents prepared within the framework of risk management system shall be approved by the concerned departments which make their comments and suggestions. Proposals on the Company's risk appetite, risk register, risk map and action plans for risk management shall be submitted at least once a year for consideration of the Board of Directors.
8. The information and communication in the Company group will allow providing the participants of the risk management process with reliable and timely information on risks, raises awareness of risks, methods and tools to respond to risks. Relevant information shall be determined, fixed and provided in a form and within the time frame which allow employees to perform their functions effectively.
9. Business units of the Company shall constantly monitor and inform the unit responsible for risks management of losses incurred, in compliance with the Regulation of accounting and analysis of occurred risks approved by the Fund’s Management Board. The analysis of reasons of losses shall be conducted for each occurred risks, and actions to prevent similar incidents in the future shall be taken.
10. The subsidiaries of the Company shall provide the Company with information on risks for the purposes of consolidation and informing the Management Board and the Board of Directors of the Company in accordance with the approved regulations.
11. The Company shall communicate the information on risks management(including the information included in the annual report) to partners, creditors, external auditors, rating agencies and other stakeholders as well as ensure compliance of the level of detail of the information disclosed with the nature and scale of the Company’s operations.
12. The risk management system efficiency shall be monitored in the Company group (including the existing management methods and means of risk control) and, if necessary, it shall be modified and improved. Monitoring shall be conducted on a regular basis at least once a year.
13. The Company shall monitor and control its risks in accordance with the basic principles, policies, rules and regulations established by the Company’s Board of Directors.
14. One of the main tools of monitoring risks and risk factors is the key risk indicators (hereinafter - KRI). KRI are indicators providing the company with early signals of change in risk factors in different areas of activity. KRI helps to detect potential risks and take early actions to avoid the occurrence of risk events or minimize their impact on the organization’s operations.
15. Development of KRI should be carried out at least for the risks with impact assessment "four" and more, which will allow managing all critical risks.
16. KRI using two approaches shall be applied in order to improve risks monitoring efficiency in the Company group:
17. determination of KRI on the basis of risk factors - risk factors for each key risk shall be determined. Risk factors can be both external and internal in relation to the Company. Risk factors may be analyzed for measurability. Appropriate units of measurement and measurement frequency of indicator shall be determined for each risk; they can be expressed as ratios, percents, figures etc.
18. determination of KRI on the basis of preventive risk management activities - the business unit responsible for risk management in conjunction with involved business units of the Company and / or SA shall set the unit of measurement of performance level for each preventive risk management action, measurement frequency and source of information for the calculation. KRI developed on the basis of preventive measures may be expressed as a percentage or actual execution of preventive measures.
19. Setting of threshold KRI shall be carried out using objective and subjective approaches:
20. an objective approach - based on the existing laws of the Republic of Kazakhstan, regulations of state supervisory authorities and internal requirements of the Company and its subsidiaries;

2) the subjective approach - based on the survey or questionnaire of sectoral directorates or other key employees of the Company group who are experts in the relevant field. Experts on the basis of existing knowledge and experience shall determine the threshold level in relation to the KRI.

1. Developed KRI shall be specified in the risk register and approved simultaneously with the issuance of risk register, risk maps and risk appetite for the next year. Information on KRI should include:
2. The name of KRI;
3. The formula for calculating;
4. The sources of information;
5. Unit and frequency of measurement;
6. The direction of KRI, signaling a possible occurrence of risk;
7. A threshold level.
8. Monitoring of the corporate risk management system is an important part of the entire business process and shall assess the availability of such system and the implementation of its components. Monitoring shall be carried out by continuous monitoring of implementation of risk management policies, procedures and activities and targeted inspections. The scale and frequency of targeted inspections depends on an assessment of risks and the effectiveness of ongoing monitoring. Disadvantages of the risk management system should be brought to the attention of the Board of Directors and the Management Board.
9. Following the approval of the action plan for critical risk management by the Company’s Board of Directors, the business unit responsible for risk management shall conduct control over the execution of activities in accordance with terms of execution of each activity.
10. The minimum requirements for the content of the report on risks are presented in Appendix 1 of this Policy. Deadline for submission of consolidated reports on risks to the Management Board and the Board of Directors of the Company are mentioned in Appendix 3 of this Policy.
11. The content and deadline for provision of information on SA risks to the Company are provided in Annex 1 and Annex 3, results of processing of information received from subsidiaries and affiliates shall be used in the preparation of quarterly reports on risks of the Company on a consolidated basis to the Board of Directors.
12. The delegation of responsibilities and duties between the IAS and the executive body in the Company’s structure shall be based on the principles of corporate governance for purposes of monitoring and control over main risks associated with the Company's activities.
13. The work of the Management Board and the Company's business units shall be inspected by the Company’s IAS.
14. Internal audit of risk management system and check of execution of plans to address deficiencies in risk management system and internal control shall be carried out in accordance with the Plan for carrying out an internal audit approved by the Company’s Board of Directors. Internal audit shall be carried out in accordance with regulations governing the process of conducting an internal audit.

# Requirements for the confidentiality of information about risks

1. Risk owners shall make decision on the admission of certain officials of the Company Group’s SA to detailed information on the description, evaluation and Action plans for management of certain risks.
2. Members of the Company’s Board of Directors, Management Board, members of the Credit Committee and the staff of business unit responsible for risk management shall have unrestricted access to any information about Company’s risks.
3. Access to external persons that receive access to information about risks and action plan for their management shall be granted only after signing confidentiality agreement.
4. The following documents: Risk Management Policy, Rules for identification and risk assessment, as well as the Regulation on accounting and analysis of occurred risks are public documents and are available for reference and use by general public.
5. The rules on certain types of risk, including the rules on certain types of financial risk (risk of loss of liquidity, currency risk management rules, interest rate risk management rules) and the reports on them (including the report on financial stability), shall be distributed only in the regime "For Official Use "(hereinafter - FOU).

# CRMS effectiveness criteria

1. The effectiveness of CRMS can be evaluated based on the following quantitative and qualitative criteria:
2. Risk management shall be carried out on an ongoing basis, the risk management process is linked with the processes of strategic and operational planning, budgeting, staff motivation;
3. The information generated by CRMS shall be actively used and taken into account in making management decisions, including those concerning the prioritization of tasks and the efficient allocation of resources;
4. In the long term CRMS stands not as a subject of consumption of resources, but as a tool of more economical use of those resources;
5. The effectiveness of the Company’s CRMS and the Company's group shall be confirmed by results of independent audits conducted by internal and / or external auditors or independent experts shall be acknowledged by members of the Board of Directors, Chairman of the Board and heads of business units, rating agencies, investors, creditors, employees of the Company, government agencies, mass media.
6. Evaluation of the Company’s CRMS shall be held in accordance with the Methodology for evaluating the effectiveness of CRMS recommended by the Company’s IAS.

**Appendix 1**

**The structure and minimum requirements for the content of the report on risks**

1. Risk register and risk map:
2. Risk map for the forecast year, changes in the risk map for the reporting quarter, with the provision of detailed information on changes in the dynamics of key risks.
3. A separate highlighting of critical risks indicating the cause of their emergence, the action plan to reduce the probability / impact, qualitative / quantitative assessment of the impact.
4. Risk Register for the forecast year, Risk Register with introduced amendments on a quarterly basis, as required.
5. Action Plan for Risk Management once a year, introduced amendments in the risk management plan on a quarterly basis if necessary.
6. Execution of an action plan for risk management on a quarterly basis with the assessment of the effectiveness of the measures taken during the reporting period.
7. new identified risks (threats), specifying the reasons, action plan for reducing the probability / impact, qualitative / quantitative assessment of the impact.
8. The risk-appetite for the forecast year (once a year), adjusted risk appetite on a quarterly basis if necessary.
9. KRI on key risks and their dynamics, including KRI which could have a significant impact on the risk portfolio.
10. Report of financial risks:
11. Financial risks in accordance with the Rules for management of certain types of financial risks (currency, interest rate, country risk, credit risk on corporate counterparties, credit risk on counterparty banks).
12. Information on compliance / non-compliance with the limits on risks, including limits for counterparty banks.
13. Report on financial stability that includes information on leverage and execution of covenants according to the Policy on debt and financial stability management of "Samruk-Kazyna" JSC
14. Report on critical operational risks with results of their qualitative / quantitative assessment.
15. Report on risks of investment projects, including occurred risks of investment projects.
16. Information on occurred risks (quarterly) with mandatory indication of damages (quantitative assessment if its calculation is possible, and qualitative assessment) and the actions taken to respond to these risks with the assessment of the effectiveness of measures. Comparative analysis of losses from occurred risks during the period (quarterly) with approved risk appetite. This section should also include information on industrial accidents and disasters (including information on the number of victims, as well as deaths).
17. Information on significant deviations from established risk management processes, if necessary.
18. Measures to be taken in order to improve risk management system in accordance with IAS recommendations (if available).
19. Information on compliance with regulatory requirements in the area of ​​risk management;
20. Report on the insurance in compliance with the Policy for organization of insurance coverage in "Samruk-Kazyna" JSC and national development institutions, national companies and other legal entities, more than fifty percent of voting shares (share of participation) of which directly or indirectly belong to "Samruk-Kazyna" JSC.
21. Statement of the executive body with confirmation of the risk management system efficiency/inefficiency.

**Appendix 2**

**A list of minimum requirements for the content of the risk management policies of subsidiaries and affiliates of the Company.**

Risk management policies of subsidiaries and affiliates must contain at least the following:

* goals and objectives of the risk management system (hereinafter - RMS) of subsidiaries and affiliates;
* basic concepts used in the document;
* the organizational structure and RMS accountability level;
	+ The role and responsibilities of the Board of Directors / Supervisory Board in risk management (similar to p. 40 of this Policy);
	+ The roles and responsibility of the executive body in risk management;
	+ The roles and responsibility of the business unit (s) in risk management and other business units;
	+ The rules for submission of reports on risks (in accordance with Annexes №1 and №3 of this Policy);
* the interrelation of risk management processes with processes of strategic planning, operations, budgeting, investment (and credit, if applicable) activities and staff motivation;
* process of RMS functioning;
	+ The determination and calculation of risk appetite and risk tolerance (in accordance with p.80, p. 86, p. 87 of this Policy);
	+ The determination and calculation of the KRI (in accordance with paragraphs 148-152);
	+ Identification and assessment of risks;
	+ Risk management, including determination of risk management approaches, types of risk management actions;
	+ Control activities, including a description of the mechanisms that ensure the implementation of risk management methods in practice, results and deadlines of control procedures implementation;
	+ The exchange of information and monitoring, including minimum requirements for the content and deadline for submission of reports on risks (in accordance with Annexes №1 and №3 of this Policy) submitted to the Boards of directors / Supervisory Board.
* the risk management system’ efficiency criteria ;
* Requirements for confidentiality of information on risks with the establishment of a minimum set of reports related to confidential information (in accordance with paragraph 160-164).

**Appendix 3**

**Deadlines for submitting reports on risks**

Mandatory reports on risk management for SA are:

* reporting forms for each risk ( shall be provided in accordance with the approved package of management accounting forms);
* Report on the financial stability ( shall be provided in accordance with the Policy for debt and financial stability management of "Samruk-Kazyna" JSC (included in the report on financial risks);
* Report on risks, approved by SA management body.
* Deadlines for submitting risk reporting forms (according to established forms) and report on risks by SA:

|  |  |  |
| --- | --- | --- |
| **Name of the document**  | **Document user** | **Deadlines for submission** |
| MRS reporting form (including) reporting forms on risks  | Risk management and internal control department of the Company | For 1st and 3rd quarters reporting date + 35 calendar days, for 2nd and 4th quarter + 45 calendar days  |
| report on risks, including the report on financial risks | The Board of Directors of SA/Supervisory Board of SA | According to work plan of the Board of Directors  |

The deadlines for submission of reports on risks on consolidated basis by internal control and risk management department of the Company:

|  |  |  |
| --- | --- | --- |
| **Name of the document** | **Document user**  | **Deadline for submission** |
| Report on risks + Report on financial risks (consolidated) | The Company’s Board of Directors  | Not later than 10 days prior to the meeting of the Board of Directors, according to work plan of the Board of Directors |