

Endorsed by
resolution of the Management Board
of JSC “NC “KazMunayGas”
dated November 30 2016
Minutes No 45

Approved by
resolution of the Board of Directors of
JSC “NC “KazMunayGas”
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Corporate Risk Management System
POLICY
of JSC “NC “KazMunayGas”
and its subsidiaries and affiliates

Astana 2016

1. General provisions

This Policy has been developed in accordance with requirements of JSC “Sovereign Wealth Fund “Samruk-Kazyna” (hereinafter referred to as the Fund) and internal documents of JSC NC “KazMunayGas” (hereinafter referred to as KMG).

KMG consolidated risk management shall be implemented through introduction of the corporate risk management system (hereinafter referred to as CRMS) at all KMG Group’s levels. Risk management shall enable the management to assess and manage risks in case of uncertainty, which is an essential factor for creating and maintaining the value of the Company.

This Policy shall define the terminology, goals, objectives and basic principles for CRMS operation and functionality and CRMS organizational structure for KMG group of companies.

Company’s risk management based on this Policy shall be the framework for CRMS functioning at all CRMS levels of KMG group of companies.

2. Applicable scope

This Policy is applied to all types of activities of the Company. The Policy is mandatory for review and use at all structural units and by all KMG employees.

3. Basic terms, definitions and abbreviations

In this Policy, the following terms, definitions and acronyms are used:

Risk Owner – a Company employee – holding a position of at least a deputy head directly reporting to the chief executive officer – who by virtue of his/her duties has to manage an operational/non-operational risk, ensuring the achievement of the approved performance objectives in his/her activities and functional tasks.

Risk Factor Owner – a Company employee holding a position of a head of block/structural unit who is by virtue of his/her duties has to manage risk factors, realization of which may lead to occurrence of an operational/non-operational risks;

Goal Owner – a Company employee carrying out management of KMG/subsidiaries and affiliates, who is responsible for achievement of operational/non-operational performance objectives.

external risk factors – risk factors arising outside the operating activities of the Company and independent from the Company’s activities;

internal risk factors – risk factors associated with the internal processes, organizational structure, human resources and assets of the Company arising under the Company’s operational activities;

Guarantees (for the purposes of this Policy) – are deemed as obligations specified in the Chapter “Terms and Definitions” of the Debt Management Policy of JSC NC “KazMunayGas” and its subsidiaries and affiliates for a planned or reporting period;

KMG Group – KMG and legal entities fifty and more voting shares (participatory shares) of which are directly or indirectly owned by KMG on the basis

of the beneficial title or trust management, and legal entities activities of which KMG is entitled to control;

S&As – subsidiaries and affiliates, including jointly controlled organizations and KMG joint ventures;

subsidiary – a legal entity predominant part of the authorized capital of which has been formed by KMG, or a legal entity toward which KMG may exercise decisive influence over decisions taken by that organization;

affiliate – a legal entity more than twenty percent of voting shares of which are owned by KMG and which is not a subsidiary of KMG.

Unified Risks Classifier (URC) – a systemized list of risks of the KMG Group with unified names of risks and risk factors grouped by the following criteria: area, category, group and name.

risk map – a graphical representation of risks of the KMG Group depending on their evaluated values, potential loss and probability for realization;

key risk indicator (KRI) – an indicator providing the Company with early signals of changes in risk factors in operational/non-operational areas.

Company – the cumulative name of KMG and its subsidiaries and affiliates;

control procedures (control means) – policies and procedures developed by a Risk Owner/Risk Factor Owner, which represent a description of the personnel actions undertaken directly or through the use of technological means and ensuring that a Risk Owner/Risk Factor Owner manages and addresses risks/risk factors;

corporate risk management system (CRMS) – a set of principles, methods and procedures for arrangement and maintenance of the risk management process at all levels of the KMG Group;

KPI – key performance indicators characterizing the efficiency of KMG activities and enabling the Company to measure the degree for meeting established goals;

critical risk/risk factor – a risk/risk factor characterized by a high probability of occurrence or a high-potential damage which can affect the risk map in the red zone;

cross-functional collaboration in risk management – a process of managing cross-functional (cross-procedural) risk factors (risk factors affecting the goals of several business process), which is based on collective decisions taken jointly, on the basis of the information available at Structural Units;

non-operational risk – a risk occurred in non-operational (support) processes;

continuity of operations – Company's strategic and tactical capability – to plan Company's activities in case of incidents and malfunction of its activities – aimed at continuity of operations at the acceptable level;

Area of operational/non-operational risks – a consolidated evaluation of residual value of operational/non-operational risks;

residual risk/risk factor – a level of a risk/risk factor which remains after implementation of planned measures preventing realization of a risk/risk factor;

Responsible Unit – a structural unit of KMG/S&A, a Risk Owner which functional duties include arrangement and control of risk management process

functioning at all levels of risk management;

continuity plan – a set of documented procedures, information and actions which have been developed, generalized and updated in order to use them in case of an incident and for the Company to continue its critically important types of activities at an appropriate level;

threshold KPI value – a KPI value characterizing the least expectations towards performance results which with a high probability degree is achievable in the event of good-faith performance of job duties and as a rule matches the best values as follows: a planned value for a reporting period and an actual value for the year preceding the year planned;

inherent risk – the level of a risk/risk-factor without consideration of planned actions for preventing realization of a risk/risk factor;

operational risk – a risk which occurs in the process of operations;

operational activity processes (for the purpose of this Policy) – include the following KMG business process: exploration, production, transportation, refining, marketing and sales and service project management;

OSU – an operating structural unit of an S&A (branch or office), having no status of a legal entity and autonomous balance sheet; it directly carries out an operational process and located out of the central office of a S&A.

Risk Registers – forms of unified records for the KMG Group, where operational/non-operational risks are identified, assessed, re-assessed and monitored at all levels of risk management;

risk – a potential event in the future, which, in case of its realization, could have a negative impact on the Company's achievement of its strategic and operating goals;

risk appetite – a risk degree which the Company is ready to reach, in order to achieve its strategic and operating goals;

Risk Coordinator – a designated employee – of a Structural Unit appointed by a Risk/Risk Factor Owner – whose duties include arrangement and coordination of works to manage risk/risk factors in his/her Structural Unit and cooperation with a Responsible Unit.

risk factor – a reason leading to realization of an operational/non-operational risk;

Structural Unit – a structural unit (risk/risk factor owner) included into the organizational structure of Company and which is not a Responsible Unit;

continuity management – a management process providing for identification of potential threats and assessment of their impact on the Company's activities; the process creates the basis for the increase of Company's sustainability against incidents through effective response measures to secure interests of stakeholders, business reputation, the brand and value adding activities of the Company;

risk management – continuous process carried out by the Board of Directors, the Management Board, the management and employees of the KMG Group to identify potential events that may affect Company's activities, to maintain the degree of their impact within the Company's acceptable (set) boundaries, and applied in

strategic and operational management to provide reasonable assurance for achievement of strategic and operating goals;

risk tolerance level – a threshold value of KPI adjusted by the value of the quantitative impact of estimated residual values of the Area of operational/non-operational risks

4. Goals and objectives

4.1. The CRMS goals are:

1) to achieve an optimal balance between the Company's capitalization growth, its profitability and risks;

2) to identify the Company's main risk management tools and procedures the Company uses for managing operational/non-operational risks;

3) to define areas of responsibility of Goal Owners and Risk Owners and Risk Factor Owners in the Area of operational/non-operational risk management;

4) to identify main documents for securing risk management process.

4.2. The CRMS objectives are:

1) to identify the level of the Company's risk appetite in accordance with the Development Strategy;

2) to improve the decision-making process to response to emerging risks/risk factors;

3) to ensure rational use of the capital;

4) to prevent occurrence of risk events that could threaten achievement of strategic and operating goals;

5) to integrate the risk management process into key business management and Company governance processes;

6) to build a vertical risk management process and to ensure functioning of the risk management system at all management levels, starting with the upper level (KMG) to a line level (OSU). This demonstrates the most important principle of the approach to the risk management process: **risk management is carried out best at local levels and this helps preventing dilution of responsibility;**

7) to create such a risk addressing system, so it will enable Goal Owners, Risk Owners and Risk Factor Owners independently identify and assess risks and respond to them using standard methods and developing measures (controlling procedures) based on them;

8) to provide reasonable assurance to stakeholders that the Company effectively manages risks.

5. CRMS principles

5.1. The Company's Risk Management Policy shall be based on the following principles:

1) **the unity of the methodological framework:** CRMS processes shall be implemented on the basis of common methodological approaches in all structural units of the KMG Group.

2) **continuity:** CRMS shall operate on a continuous basis.

3) **integrity:** CRMS shall apply to all the Company's activities and all types of emerging risks. Control procedures function in all the KMG Group's business processes at all levels of management.

4) **accountability:** the organizational structure of the CRMS shall define the competence in decision-making and control in risk management at all levels of the KMG Group's management.

5) **information content and timeliness of communication:** the risk management process is accompanied by fact-based, reliable and latest information.

6) **rationality:** the KMG Group shall rationally use resources for implementation of risk management activities.

Reasonable assurance: CRMS may provide only reasonable assurance of achieving the Company's goals, but it cannot absolutely guarantee this due to the limitations of internal environment (for instance, human factor, the use of the principle of reasonable control procedures, etc.).

Adaptability: CRMS shall be regularly updated to ensure identification of all possible risks and the effective use of risk control and management methods.

Precise regulation: all operations shall be conducted in accordance with the order of their implementation established by internal normative documents.

Active participation of management: the management of KMG and S&As shall be actively involved in and support implementation and improvement of the risk management system in KMG and S&As.

6. Process of CRMS functioning

6.1. Relationship of the risk management process with business processes of the Company.

The relationship of the risk management process with strategic planning shall include the following (but may not be limited to the mentioned below):

1) the process of elaboration of the Development Strategy of the Company, in particular, the stage of assessment of alternative options for the Development Strategy of the Company and selection of the optimal direction of the Company's development, shall include risk identification and analysis which can affect the achievement of strategic goals;

2) the KMG management action plans shall incorporate a set of measures aimed at reduction of the potential adverse effect of the risks associated with implementation of planned strategic initiatives;

3) the relationship between the strategic planning and the risk management systems shall be reflected in the Development and Monitoring Rules for the Development Strategy of the Company.

The relationship of the risk management process and operational activities shall include (but may not be limited to the mentioned below) as follows:

1) the Company recognizes the importance of the CRMS development as a key element of the corporate governance system;

2) the corporate governance of the Company shall be based on setting of threshold levels of KPIs taking into account Company's assessed risks;

3) in the process of threshold KPI setting, the Company shall:

- seek to calculate a threshold KPI value on the basis of residual value in the Area of operational/non-operational risks exclusively comprised of external factors which are unmanageable and beyond the Company's control;

- manage operational/non-operational risks in accordance with internal risk factors. Losses in physical and monetary terms due to operational/non-operational risks in accordance with internal risk factors have to be minimized and have not to be assessed in the Area of operational/non-operational risks in calculation of a threshold value of the Company's KPIs.

The relationship of the risk management process with processes of operating activities includes the following (but may not be limited to the mentioned below):

1) the Risk Owners and Risk Factor Owners shall:

- identify and assess operational and non-operational risks and associated risk factors influencing on achievement of KPIs;

- objectively assess time and administrative resources required for implementation of the measures offered for the Action Plan for managing operational/non-operational risks and reflect a current status of risks/risk factors in quarterly risk reports;

2) risk management measures (and, if necessary, their individual stages) shall be included in the relevant annual plans of Structural Units of the Company;

3) Structural Units of the Company shall submit quarterly risk reports and information on realized risk events according to KMG/S&As' documents;

4) initiators of the issues to be submitted for consideration of the executive body and the management body of the Company shall include – into their submittals - (explanatory notes) items with risk description on adoption and non-adoption of resolutions on the issues submitted for review.

The relationship of the risk management process with the investment planning process includes the following (but may not be limited to the mentioned below):

When considering and developing investment projects, an initiator (project supervisor combining functions of a Risk Owner and a Goal Owner in one person) shall:

- provide for identification, assessment and analysis of risks which may affect implementation of an investment project and achievement of its goals in line with KMG Group's internal documents in the field of investment activities;

The relationship of the risk management process with the liquidity and cash flow management process (but may not be limited to the mentioned below) includes the following:

1) when carrying out treasury transactions a business process owner shall assess and analyze the impact of risk factors in order to comply with the principles of safety (capital maintenance) liquidity (the possibility to transform assets into monetary instruments within shortest period of time) and profitability (maximum revenue which may be obtained provided that the principles of safety and liquidity are followed), according to the Fund's Treasury Transactions Corporate Standard;

2) cash flow management shall be carried out taking into account:

- observance of balance sheet and off-balance sheet liability limits set for counterparty banks and observance of country limits;
- limit setting for leverage degree and financial stability degree which are governed by the Debt Management and Financial Stability Policy of the Fund;
- achievement of the optimal combination of risk and profitability in selection of the most profitable and safe financial instruments for investing temporarily free money;
- forecasting of cash flows and optimum distribution the monetary position in terms of its composition to mitigate risk factors which affect the liquidity.

The relationship of the risk management process with credit (loan) extension, provision of financial aid, issue of Guarantees includes the following (but may not be limited to the mentioned below):

1. when granting a credit (loan) and providing financial aid a business process owner shall carry out the analysis of risk factor impact in accordance with the Internal Credit Policy of “Samruk-Kazyna” JSC’s Group and the Credit (Loan) Extending Rules of JSC NC “KazMunayGas”:

2) financial Guarantee issue process owner shall carry out a risk factor analysis for the financial stability of KMG in accordance with the Rules for Granting Guarantees of the Group of companies of JSC “Samruk-Kazyna” and the Debt Management Policy of JSC NC “KazMunayGas” and its subsidiaries and affiliates.

The relationship of the risk management process with the business planning process:

1) the process of development of the complex of Registers of Company’s operational/non-operational risks, including the Action Plan for operational/non-operational risk management shall be carried out in parallel with the schedule of development of KMG S&As’ business plans in order to:

- set threshold values of operational/non-operational KPIs with due account of operational/non-operational risk impact on the achievement of the KPIs;
- to ensure an early submission of an expenditure request of Company’s Risk Owners and Risk Factor Owners for the costs related to the Action Plan for operational/non-operational risk management;

2) The process of monitoring of the status of the Area of operational/non-operational risks and implementation of the Action Plan for operational/non-operational risk management shall be carried out in parallel with the schedule for adjusting and monitoring business plans of KMG S&As and the KMG Development Plan in order to:

- adjust (when needed) threshold value of operational/non-operational KPIs taking into account operational/non-operational risk impact on the achievement of KPIs;
- to ensure submission of an expenditure request – by the Company’s Risk Owners and Risk Factor Owner – for additional costs aimed at risk management measures, provided that the planned expenditures are insufficient.

The relationship of the risk management process with the human resource management process includes (but may not be limited to the mentioned below) as follows:

1) obligations of all CRMS participants to follow all CRMS procedures shall be formalized with a mandatory covenant to monitor respective obligations within a reporting period;

2) It is recommended to provide for the encouragement mechanism to motivate heads and employees of the Company to duly act in terms of CRMS in accordance with established timelines and target indicators.

The relationship of the risk management process with the business continuity process includes the following (but may not be limited to the mentioned below):

1) companies shall introduce and formalize the business continuity process and its functionality;

2) Risk Owners/Risk Factor Owners shall identify potential threats impacting on the Company's business continuity process and assess their effects;

3) Risk Owners/Risk Factor Owners shall determine requirements, develop and implement reliable and effective business continuity plans of the Company;

4) business continuity plans shall:

- manage recovery and business continuity in the event of interruption of business activities, including IT disaster recovery;

- comprise the response to emergencies and crisis situations and business process recovery plans;

- assign all employees responsible for implementation of the business recovery strategy;

- be periodically tested and include employee training programs;

- be regularly revised taking into account changes in the Company's activities and gaps discovered in the process of testing of initial plans.

A risk-oriented model for building the Company's processes shall function in the KMG Group. The risk management process shall be linked to all business processes of the Company by incorporating the section "Business Process Risks and Management" in all internal documents of the Company.

6.2. The functioning of the CRMS shall be realized through seven interrelated CRMS processes integrated into the KMG Group's management business processes:

1) goal setting;

2) identification of risks;

3) risk assessment and analysis;

4) risk management;

5) monitoring and reporting;

6) information and communication;

7) internal environment.

6.2.1 Goal setting

Goal setting is the Company's most important process, where the goals of strategic, medium- and short-term planning are cascaded and coordinated.

CRMS is integrated into the processes of strategic planning, budgeting and motivation through the Goal Setting process. Goal Setting at all management levels of the Company for implementation of strategic, medium- and short-term planning goals shall lead to construction of a goal tree. By setting goals for implementation at all levels of management, the Company strives to achieve the approved performance indicators.

For the CRMS purposes, goal setting at all levels of the KMG Group has the meanings given below:

- first, the top-down cascading of goals shall lead to personification of goals that means that each goal is assigned to a particular official responsible for implementation of the set goal. The construction of the goal tree shall lead to the top-down construction of a functional goal chain for all business processes carried out by the KMG Group, **and to the assignment of Goal Owners to KMG Group's business areas at the entire risk management function vertical.**

- second, a particular official, by virtue of his/her duties and experience, shall understand what risks might affect his/her performance of objectives. Risk Owners and Risk Factor Owners at all risk management levels shall determine Company's tree of risks, realization of which, may affect achievement of goals; Risk Owners and Risk Factor Owners shall carry out an initial assessment of the impact of risks on achievement of their goals.

CRMS shall coordinate the KMG goal tree and the KMG risk tree.

The construction of a goal tree, assignment of goals to Goal Owners, composition of the goal tree and risk tree of the Company shall directly affect the process of construction of a Goal Owners' KPI tree.

The top-down setting of performance indicators for all levels of the Company's management shall take into account the degree the Company addresses a risk, as the level of risk manageability impacts on the degree of achievement of KPIs by Goal Owners.

CRMS introduction and functioning shall envisage the Company's internal document regulating the process of cascading and assigning goals to particular Goal Owners and describing the process of cooperation of all Structural Units of the Company in the process of setting and coordinating short-term, medium-term and long-term goals with the vertical processes of planning and establishing the Company's performance indicators.

6.2.2 Risk identification

Identification of inherent risks/risk factors is determination of exposure of all the KMG Group's activities and business processes to risks which may adversely affect achievement of goals and objectives.

At all levels of management Risk Owners and Risk Factor Owners shall identify risks and associated risk factors.

The mechanism for identifying and appointing Risk Owners and Risk Factor Owners for all KMG business processes is described in the internal risk management documents.

A combination of various methods and tools is used for identification of risks and associated risk factors. The identification procedure as well as methods and tools for identification of risks and risk factors associated with them are described in the internal risk management documents.

6.2.3 Risk/risk factor assessment and analysis

Assessment of identified risks factors and subsequent assessment of an operational/non-operational risk to which the identified risk factors are inherent shall be carried out to determine the degree of risk's impact on achievement of operational/non-operational KPIs of the Company.

Operational and non-operational risks and associated risk factors shall be analyzed in terms of probability of their occurrence (realization probability) and degree of their impact (potential loss).

Assessment of risk parameters may be of quantitative or qualitative character. The Company shall strive to develop primarily quantitative methods for assessing risks/risk factors, to continuously accumulate and improve modern risk assessment methods.

The horizon of assessment of risk parameters corresponds to the horizon of a relevant goal (objective) achievement by KMG and its S&As.

Methods and tools of qualitative and quantitative assessment of a risk/risk factor and analysis of risk/risk factors are covered in the internal risks management documents.

6.2.4. Risk management

Operational/non-operational risk management is the process of developing and implementing measures to reduce adverse consequences and/or likelihood of occurrence of inherent risks and/or associated risk factors or to receive financial compensation upon occurrence of losses related to risk in the activities of the KMG Group.

To ensure effectiveness of the risk management process and reduce costs associated with its implementation, the Company shall focus on the critical risks/risk factors which may have the most significant effect on its financial state and achievement of goals and objectives.

Risk management comprises the development of control means by a Risk Owner/Risk Factor Owner, a description of mechanisms to ensure practical implementation of risk management methods and to meet timelines for control procedures.

Policies and procedures related to introduction of new control procedures for managing certain types of risks are arranged by Risk Owners and Risk Factor Owners in the internal documents for managing certain types of risks.

The selection of methods to respond to operational/non-operational risks, development of the Action Plans for operational/non-operational risk management for

the purpose of ensuring an acceptable level of residual risk includes the standard

6.2.5. Monitoring and reporting

Risk management monitoring is the control over the dynamics of changes in risk parameters and efficiency of activities and control procedures for risk management.

Monitoring shall be carried out by the Responsible Unit of KMG through the quarterly gathering of information on risks dynamics and implementation of action plans and control procedures for their management from the Risk Owners, Risk Factor Owners in KMG/ S&As in line with internal documents on risk management.

To ensure completeness and quality of information KMG approved the single unified format for the risk report to be applied in the KMG group.

The Company shall constantly carry out monitoring of activities, including an online real-time effective control over operations. The Risk Owner, the Goal Owner and the Responsible Unit of KMG should be notified of any shortcomings in the risk management process detected during the online control. Based on the analysis of shortcomings of the risk management process, corrective actions shall be taken to address the detected deficiencies.

One of the main tools for risk management shall be the key risk indicators. The KRI shall allow adopting measures in advance to prevent risk events or minimize their impact on the Company's activities. The KRI shall be developed for all critical risk factors. The procedure for the KRI development shall be set in the internal documents on risk management.

The monitoring results shall provide for a possibility of aligning the implemented activities or development of new ones.

Monitoring shall be carried out through continuous tracking of implementation of the Policy, procedures and activities of the corporate risk management system and targeted inspections. The scope and frequency of targeted inspections shall depend on the assessment of risks and effectiveness of the ongoing monitoring. The CRSM shortcomings shall be disclosed to the Board of Directors and the Management Board of KMG.

At least once a year the KMG Board of Directors shall consider the following: proposals for the risk appetite of the Company, the consolidated Risk Register, the Risk Map, and the Action Plan on risk management. The Risk Report (consolidated including the data on KMG's S&As) shall be submitted for consideration of the KMG Board of Directors on a quarterly basis. The requirements to the contents of the Risk Report and timing of submission are specified in Annexes 2, 3 to the present Policy.

6.2.6. Information and communication

The corporate risk management system of the KMG group shall provide for an adequate flow of information both vertically and horizontally.

The information coming from bottom to top shall not be subject to misrepresentation, exaggeration or other changes. Both operational information from internal and external sources and audited statement, reports on financial and economic

activities, and reports of the IAS of KMG shall be applied in risk identification and assessment.

The information delivered top down shall provide for statement of expectations of shareholders, goals, strategies and objectives set, the importance and significance of effective risk management, and the level of risk appetite through approval of internal documents, regulations, etc. Horizontal communication of information implies interaction of Structural Units within the Company with the Responsible Unit.

Information and communication within the KMG group shall provide the participants of the risk management process with accurate and timely information on risks, raise awareness about the risks, response methods and tools. Relevant information shall be identified, registered and submitted in the prescribed form and within the timeframe that would enable employees to effectively perform their duties. The quality of information in the risk management system shall meet the following criteria:

- 8) adequacy of content,
- 9) timeliness of information,
- 10) information relevance,
- 11) accuracy of information,
- 12) availability of information.

In addition to open information communication channels, KMG shall provide for other separate channels of communication such as the hotline, “whistleblowing” mechanism (the procedure of confidential statement of shortcomings and violation of internal processes of the Company by employees).

Risk Owners/ Risk Factor Owners shall constantly conduct monitoring and inform the Responsible Unit on potential risk events and realized risk events, according to the internal documents on risk management.

S&As shall provide KMG with the information on risks, for consolidation and calculation of the aggregate level of risk, and informing the Management Board and the Board of Directors of KMG in accordance with the approved internal documents on risk management.

KMG shall submit the information on risk management to its partners, creditors, external auditors, rating agencies and other stakeholders (as part of the annual report, as well) ensuring compliance of the level of specification of the disclosed information with the nature and scale of KMG activities.

An effective information environment shall provide for a large-scale automation of processes to identify, assess, manage and monitor risks of the KMG group.

6.2.7. Internal environment

The above components of the risk management process in the KMG group shall promote development of the Company’s risk culture based on establishment of the appropriate “tone at the highest level”, high level awareness and knowledge of risks and responsibility of Risk Owners/ Risk Factor Owners, an active risk management and timely reporting.

KMG shall strive to develop an adequate organizational structure of the CRMS that would contribute to effective corporate governance, ensure proper segregation of duties, powers and responsibilities for risk identification, assessment, management and reporting on risks. The organizational structure of the KMG's CRMS is given in Annex 1 to this Policy.

The internal environment shall include:

- 1) the Company's risk appetite and risk tolerance;
- 2) duties and responsibilities of CRMS participants;
- 3) common methodological documents of CRMS;
- 4) a Unified Risk Classifier of KMG and its S&As;
- 5) a unified extended electronic database on realized risk events.

Calculation of the Company's risk appetite and risk tolerance.

A risk appetite of the Company shall characterize its level of risk retention, under which the Company is able to achieve its strategic goals and operational targets.

The risk appetite shall define the upper limit of the level of critical risks/ risk factors on a consolidated basis that KMG is ready to accept. It shall also affect distribution of resources, arrangement of processes and creation of an infrastructure within the Company necessary for an efficient monitoring and response to risk events.

The risk appetite (risk appetite statement) of the Company for the target period on a consolidated basis shall be approved by the KMG Board of Directors and have the following characteristics:

- 1) reflecting the Development Strategy of KMG, including its goals, business plans, financial constraints and expectations of stakeholders;
- 2) coverage of all the key aspects (areas) of the Company's activities;
- 3) regarding the Company's willingness and ability to take a risk;
- 4) defining KMG's attitude to a risk;
- 5) regular review with due regard to the industry and market conditions;
- 6) requiring for an effective monitoring of a risk itself;
- 7) including of both quantitative and qualitative indicators.

In calculation of the quantitative risk appetite of S&As the following conditions should be observed:

1) the value of the risk appetite should be sufficient to cover the remanent values of the Area of operational/ non-operational risks of S&As. The higher is the positive value of the risk appetite the more sustainable S&As are in terms of covering possible losses in case of realization of risk-factors of the Area of operational/ non-operational risks, and the more KMG is confident of non-involvement of KMG's financial sources in funding of S&As losses as a result of any risk-factor;

2) the risk appetite is intended to finance possible losses resulting from realization of external risk factors (uncontrolled at the S&As level) affecting operational/ non-operational risks;

3) operational/ non-operational risks of S&As the probability of realization of which is related to realization of internal risk factors (managed at the S&As level) should not be covered at the expense of the risk appetite but should be managed at the S&As level at the expense of risk management activities.

To ensure effective monitoring and to prevent excess of the risk appetite, risk tolerance shall be applied in the KMG group.

Risk tolerance shall be measured in the same units as similar goals. The levels of risk tolerance of KMG/ S&As shall be approved by the Board of Directors of KMG/ S&As.

The levels of risk tolerance shall be revised if any new risk factors to operational/ non-operational risks occur/ are identified or in case of any risk events. The Responsible Unit shall monitor compliance with the levels of risk tolerance to risks on a quarterly basis.

Activities within the levels of tolerance to risks shall provide the management with a higher degree of confidence in achieving its goals.

Approaches and methods for calculating the Company’s risk appetite and risk tolerance shall be defined in the internal documents on risk management.

Functions and responsibility of the CRMS participants

KMG Board of Directors	<ul style="list-style-type: none"> - responsibility for availability of an efficient Corporate risk management system of KMG, including by approving of the present Policy; - approval of the Company’s strategic, medium- and short-term goals; - approval of the Company’s risk appetite, tolerance levels for each of KMG risks; - approval of KMG’s Risk Register, Risk Map, KRIs and the Action Plan on Risk Management; - review and approval of quarterly risk management reports; - approval of efficiency indicators of the Corporate risk management system and ensuring an annual assessment of efficiency of the KMG’s risk management system; - approval of Plans on ensuring uninterrupted performance of KMG.
KMG Management Board	<ul style="list-style-type: none"> - responsibility for organization and efficient functioning of the KMG’s CRMS; - ensuring implementation of the present Policy of KMG including compliance of KMG’s structural units with this Policy; - approval of the Register of Risk Owners/ Owners of Risk-Factors/ Risk Coordinators of KMG; - responsibility for due submission of quarterly reports on risk management to the Fund and the KMG Board of Directors; - review of KMG’s quarterly reports on risk management and taking appropriate measures within its competence; - ensuring enhancement of internal documents on risk management of KGM and its S&As.
the Risk	<ul style="list-style-type: none"> - review of methodological documentation on risk

Committee of KMG	<p>management and proposals from KMG's Responsible Unit on development of risk management policies, procedures and structure for their submission for approval by the KMG Board of Directors;</p> <ul style="list-style-type: none"> - analysis of new approaches to risk management and their applicability to KMG and its S&As; - review of proposals on appointment of Risk Owners, Risk Factor Owners and Risk Coordinators of KMG; - review of the action plans on improvement of the CRMS; - analysis of the Company's risks and effectiveness of risk management activities, coordinated approval of the risk appetite and risk tolerance levels for their approval by the KMG Board of Directors; - coordinated approval of the Risk Register, the Risk Map, Action Plan on Risk Management, KRIs and quarterly reports on risk management to be submitted for approval by the KMG Board of Directors.
the Internal Audit Service of KMG (the IAS)	<ul style="list-style-type: none"> - assessment of effectiveness of the risk management process, notifies the KMG Board of Directors on significant deficiencies in the Corporate risk management system of KMG, and making recommendations on improvement of the risk management process. - assessment of effectiveness of measures preventing from an impact on a risk/ risk factor (control procedures), and making recommendations for elimination of any identified shortcomings (if necessary). - notifying the Responsible Unit of KMG on new risk factors identified through auditing and not included in the Unified Risk Classifier.
the Responsible Unit of KMG	<ul style="list-style-type: none"> - ensuring functioning of the CRMS, development and updating of methodological documents under the CRMS; - a consulting support to KMG's structural units on the CRMs functioning related issues; - analysis of the environment (internal and external factors) and monitoring of internal/ external factors that may have a significant impact on the Company's risks; - conducts training sessions on risk management; - review and coordinated approval of Risk Registers prepared by Structural subdivisions/business units/S&As under the scope of this Policy; - consolidation of risks of the KMG group and analysis of information; responsibility for due development of the Company's Risk Register, Risk Map, Action Plan on risk management of the Company, as well as drafting of the Company's quarterly reporting on risk management for the

	<p>Management Board and the Board of Directors of KMG</p> <ul style="list-style-type: none"> - responsibility for due monitoring of compliance with the limits of risk tolerance and KRIs; - control over implementation of risk management activities, as well as the status of the Company's risks; - interaction with the Internal Audit Service of KMG and structural units of KMG, external consultants and other stakeholders on risk management related issues within its competence; - arrangement of interviewing of Risk Owners, Risk Factor Owners of KMG and provides methodological support in application of expert methods of risk identification and assessment;
Goal Owners of KMG	<ul style="list-style-type: none"> - responsibility for accommodation of the quantitative/qualitative values of risks affecting implementation of the set KPIs (goals) and coordinated approval of the Action Plan on risk management; - control over due implementation of the approved Action Plan on risk management.
Risk Owners of KMG	<ul style="list-style-type: none"> - ensuring proper management and control over risks associated with implementation of processes supervised by a Risk Owner of KMG; - responsibility for due submission of complete information on the status of risks and implementation of risk management activities to the Responsible Unit of KMG; - development and introduction of plans on continuity of KMG's operations; - ensuring development of procedures for management of certain types of risks, and control procedures associated with implementation of processes supervised by a Risk Owner (corporate standards, regulations, policies for management of certain types of risk) aimed at decreasing of the risk level.
Risk Factor Owners of KMG	<ul style="list-style-type: none"> - responsibility for due management and control over risk factors associated with implementation of processes supervised by a Risk Factor Owner; - responsibility for timely submission of complete information on the status of risk factors and implementation of activities on risk factor management to the Responsible Unit of KMG; - development and introduction of plans on continuation of KMG's operations; - ensuring development of procedures for management of certain types of risks, control procedures associated with implementation of processes supervised by a Risk Factor Owner (corporate standards, regulations, policies for management of certain types of risk) aimed at decreasing of

	the risk level.
KMG S&As	<ul style="list-style-type: none"> - timely arrangement of a risk identification and assessment process in accordance with the CRMS methodological documents; - responsibility for due management and control over risks associated with implementation of processes by S&As; - timely reporting on risks, as well as submission of complete information on the status of operational/ non-operational risks and performance of risk management activities, and the data on realized risks events to the Responsible Unit of KMG. - development and introduction of plans on continuity of KMG's operations.
Every employee of KMG/ S&As	<ul style="list-style-type: none"> - responsibility for performance of official duties on risk management in accordance with job descriptions; - timely notification of the Responsible Unit of KMG/ S&As, and direct supervisors of any possible errors/shortcomings that have led or may lead to potential losses, and potential or realized risk events, in the procedure and within the term as established by methodological documents under the CRMS; - undergoing training on risk management in accordance with the approved training program.

To enhance efficiency of risk management and promote the risk culture development a Risk Coordinator shall be appointed in the Structural subdivision of KMG and its S&As, to coordinate risk management activities of own structural unit and interaction with the Responsible Unit.

Standard methodological documents under the CRMS of the Company shall include:

- “Model Rules for Organization of the Process of Operational/ Non-Operational Risk Management in JSC NC “KazMunayGas” and its Subsidiaries and Affiliates”;
- “Methodology for Risk Identification and Assessment, Choice of Methods for Risk Management in JSC NC “KazMunayGas” and its Subsidiaries and Affiliates”;
- “Regulations on Amendment of the Uniform Risk Classifier of JSC NC “KazMunayGas” and its Subsidiaries and Affiliates”;
- Rules on ensuring continuity of operations;
- Methods for development of the Plan on ensuring continuity of operations;
- Policies and procedures related to introduction of control procedures, designed and approved by Risk Owners/ Risk Factor Owners of the Company to manage certain types of risks.

Uniform Risk Classifier of KMG and its S&As

The Uniform Risk Classifier (URC) of KMG and its S&As shall be aimed at alignment of names of risks throughout the whole KMG group and standardization of the process of risk identification.

The key basis for risk classification shall be the following functional Risk Areas:

- 1) operational risks;
- 2) non-operational risks;

Each Area shall provide for a list of names of operational and non-operational risks and relevant risk factors to which the Company is exposed in connection with the current operational and non-operational business processes of the Company.

The URC shall be binding for the use within the CRMS of the Company.

Single electronic database on realized risk events (SEDR)

The Responsible Unit of KMG shall ensure centralized management and administration of the SEDR.

Maintenance of the SEDR shall be aimed at collection of statistics on realized risk events within the KMG group, which is required for the quantitative evaluation of risks/ risk factors and for development of various risk analysis reports.

KMG's S&As shall submit structured information on realized risk events to KMG for due consolidation with the SEDR. KMG's S&As shall maintain local databases on realized risk events to carry out the quantitative evaluation of risks in the future, drafting the internal reporting and informing the management bodies of S&As in line with the approved methodological documents of S&As.

The procedure for the SEDR maintenance shall be provided in the internal documents on risk management.

7. CRMS efficiency criteria

All seven components of the CRMS shall be in place and shall function efficiently for the risk management process to be deemed effective.

The effectiveness of CRMS may be assessed on the basis of the following quantitative and qualitative criteria:

- 1) ongoing risk management;
- 2) correlation of the risk management process with all business processes;
- 3) an active use of information generated by the CRMS and taking it into account in making management decisions, including those related to prioritization of tasks and effective resource allocation;
- 4) in the long term, the CRMS' appearing not as the subject of resource consumption, but as a tool for a more rational use of them.

Efficiency of the KMG 's CRMS shall be supported by outcomes of independent evaluations carried out by internal and/or external auditors or independent experts, and shall be acknowledged by shareholders, members of the KMG Board of Directors, KMG management, rating agencies, investors, creditors, the KMG personnel, government agencies, and the mass media.

The KMG's CRMS shall be evaluated in accordance with the Methods for

Efficiency Assessment of the CRMS recommended by the IAS of the Fund.

At least once in three years the KMG IAS shall conduct an independent efficiency assessment of the CRMS with involvement of independent experts

8. Requirements to confidentiality of information about risks:

External parties that gain access to confidential information about risks and action plans on their management can be granted access only after signing a non-disclosure agreement.

The Policy shall be a public document available for review and use by general public. The Policy shall be made available on the official website of KMG.

The Policy and other documents on risk management shall be available to all employees and officials of KMG. All KMG's employees and officials shall be informed of any changes in methodological documents under the CRMS through the electronic document management system.

Any policies on certain types of risks, rules for certain types of financial risks and relevant reports (including the report on financial sustainability) shall only be distributed marked "For Official Use Only"

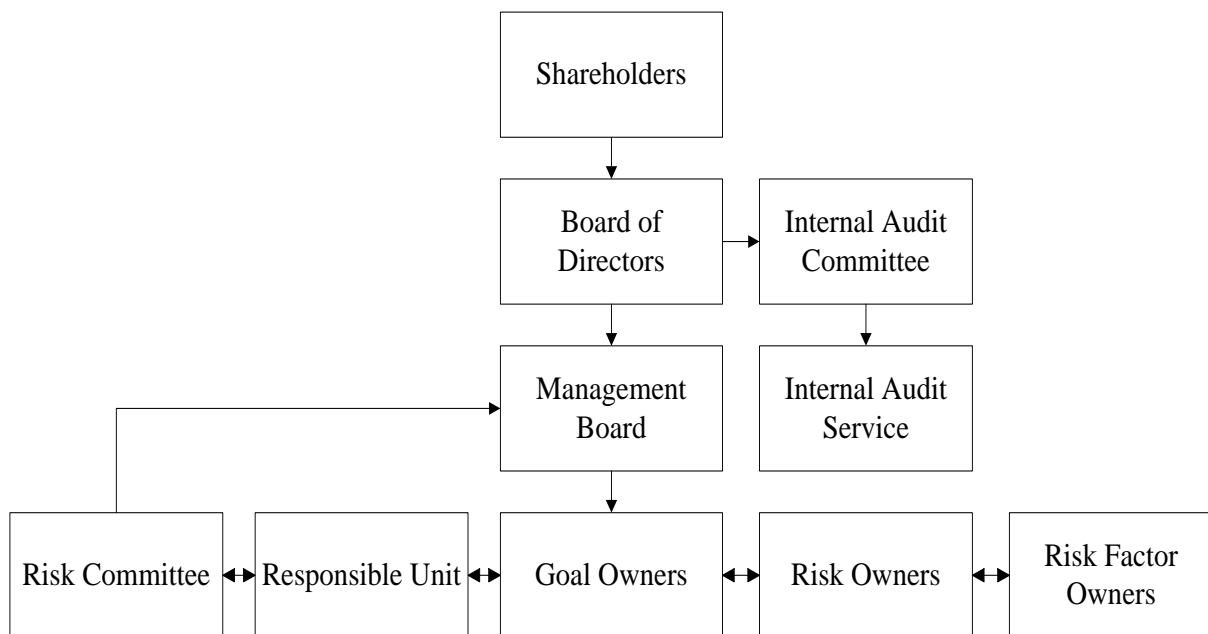
9. Final provisions

The Policy shall be approved by the KMG Board of Directors and shall be subject to revision as appropriate.

Implementation of the Policy shall be based on the use of specialized information systems that provide for due identification, analysis, assessment, management and control over risks with a significant reduction of time and labor costs provided always that they are integrated with the information systems of KMG and its S&As.

Annex 1
to the Policy on Corporate Risk Management System of
JSC NC “KazMunayGas” and
its Subsidiaries and Affiliates

Organizational structure of the KMG’s CRMS



**Structure and requirements
set to the minimum contents of the Risk Report ***

1. Risk Map and Risk Register
 - 1) the Risk Map for a forecast year, changes in the Risk Map for a reporting period with provision of detailed information on changes in risk/ risk factor dynamics;
 - 2) singling out critical risks/ risk factors with justification of their availability and the action plan to reduce their probability/ impact, and quantitative/ qualitative assessment of their impact.
 - 3) the Risk Register for a forecast year, the Risk Register adjusted on a quarterly basis;
 - 4) the Action Plan on risk management once a year, amendments to the Action Plan on risk management on a quarterly basis (if appropriate);
 - 5) implementation of the Action Plan on risk management on a quarterly basis with assessment of efficiency of taken measures carried out semiannually;
 - 6) new identified risk factors with justification of their grounds, the Action Plan on reduction of their probability/ impact and the quantitative/ qualitative assessment of their impact.
2. The Risk appetite for a forecast year (once a year) with the quarterly adjusted risk appetite (if appropriate).
3. the KRIs Register with the threshold values for a forecast year, a quarterly status report on the KRIs.
4. Report on financial risks:
 - 1) financial risks in line with the Rules for management of separate types of financial risks (currency, interest, country, and credit risks with regard to corporate counterparties, the credit risk of counterparty banks).
 - 2) information on compliance/non-compliance with the limits on risks, including limits for counterparty banks.
 - 3) Report on financial sustainability covering information on debt load and implementation of covenants in line with the Policy on debt management and financial sustainability of JSC “Samruk-Kazyna”.
5. Report on investment project risks including the realized risks of investment projects.
6. Information on realized risk events (quarterly) with an obligatory statement of the amount of loss (with the quantitative, if possible, and qualitative assessment) and measures taken to respond to such events with evaluation of efficiency of the undertaken measures. A comparative analysis of losses from realized risk events for

a period (on a quarterly basis) with the approved risk appetite. This section should also cover information on industrial accidents and disasters (including information on the number of the injured as well as the number of fatalities).

7. Information on significant deviations from the established procedures on risk management if necessary.

8. Activities aimed at improvement of risk management systems in line with recommendations of the IAS (if any).

9. Information on compliance with requirements to risk management.

10. Report on insurance according to the Policy on organization of coverage in JSC “Samruk-Kazyna” and legal entities in which JSC “Samruk-Kazyna” directly or indirectly holds over fifty percent of voting shares (participation interests) as a property or under trust management.

11. Statement of the executive board of the Company with acknowledgement of efficiency/ inefficiency of the risk management system.

*this List can be amended or supplemented if necessary.

Annex 3
to the Policy on Corporate Risk Management System of
JSC NC “KazMunayGas” and
its Subsidiaries and Affiliates

Timing of reporting on risks

The risk reports statutory for S&As shall be the following:

- 1) forms of reporting on each risk (submitted in line with the approved package of forms under the managerial reporting system (MRS);
- 2) the report on financial statements (submitted in line with the Policy on debt management and financial sustainability of JSC “Samruk-Kazyna” including the report on financial risks);
- 3) the Risk Report approved by a managerial body of S&As.

Timing of submitting forms of reporting on risks by S&As (per the approved forms) and the risk report shall be the following:

Document title	Document users	Timing of submission
Form of reporting under the MRS (including) forms of reporting on risks	KMG’s Responsible Unit	for Quarters 1 and 3 the reporting date + 35 calendar days, for Quarters 2 and 4 the reporting date + 45 calendar days
Risk Report including the report on financial risks	KMG’s Responsible Unit	for Quarters 1, 2, 3 and 4 the reporting date + 14 calendar days
Risk Report including the report on financial risks	Managerial body of S&As	not later than the 25 th day of the second month following the reporting quarter in line with the Activity Plan of the Board of Directors of S&As

Timing of submitting consolidated reports by the Responsible Unit of KMG:

Document title	Document users	Timing of submission
Risk Report including the report on financial risks (on a consolidated basis)	Risk Committee of KMG, the Management Board of KMG, the Board of Directors of KMG	not later than the 25 th day of the third month following the reporting quarter in line with the Activity Plan of the Board of Directors