


Appendix  
to the resolution on agenda  
item No. 18 of the meeting  
of the Board of Directors  
of KazMunayGas NC JSC  
(Minutes No. 15/2025  
dated 10 September 2025)

**Approved by  
minutes No. 15/2025  
of the Board of Directors  
of KazMunayGas NC JSC  
dated 10 September 2025**



**Risk Management System Policy of KazMunayGas NC JSC  
and its Subsidiaries and Dependent Entities**

**Astana, 2025**

 <b>КазМұнайГаз</b> <small>NATIONAL COMPANY</small> <small>ҰЛТТЫҚ КОМПАНИЯСЫ</small>	<b>KazMunayGas National Company Joint-Stock Company</b>	
Document title:	<b>Risk Management System Policy of KazMunayGas NC JSC and its Subsidiaries and Dependent Entities</b>	
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Developed by: T. Moldarakhimov  dd 1 August 2025	Checked by: S. Nikitinsky  dd 3 August 2025	Approved by the resolution of the Board of Directors of KazMunayGas NC JSC dd 10 September 2025, minutes No. 15/2025, item No. 18

## 1. Document Purpose and General Provisions

1.1. The Risk Management System Policy of KazMunayGas NC JSC (KMG) and its Subsidiaries and Dependent Entities (Policy) has been developed under the laws of the Republic of Kazakhstan, the requirements of Samruk-Kazyna JSC (Fund) for risk management in portfolio companies, including the requirements of the Fund's Risk Management and Internal Control Policy, other documents of KMG, KMG's Charter, as well as recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), ISO-31000, *Risk Management – Principles and Guidelines*, and standards of other international professional risk management organizations.

1.2. The mission of this Policy is to support and develop the RMS for effective management and allocation of resources for key strategic initiatives and other business lines in accordance with KMG's Development Strategy. This enables management bodies to promptly identify, assess, monitor and manage risks, ensuring an acceptable level of risks for KMG and its subsidiaries and dependent entities (SDEs), maximizing the return on investment. These processes contribute to making informed managerial decisions and are an integral factor in creating and preserving value for KMG and SDEs.

1.3. The goals of the Policy are:

- 1) establishment of a standardized approach to the risk management objectives, principles and methodology, as well as the creation of an integrated risk management process in KMG and SDEs;
- 2) definition of the organizational structure of KMG's RMS;
- 3) formation of a unified approach to risk classification in KMG and SDEs;
- 4) establishment of successive stages of the risk management process and the procedure for exchanging risks information within KMG and SDEs;
- 5) definition of mechanisms for monitoring the RMS and certain aspects of the activities of KMG and SDEs in terms of risk management;
- 6) establishment of elements linking the RMS with the processes of planning, investment, liquidity management and the motivation system;
- 7) determination of a risk appetite with decomposition into acceptable levels for certain types of risks and ensuring management of accepted risks;

1.4. The Policy also includes Appendices that are an integral part of the Policy.

1.5. This Policy does not aim to cover all possible scenarios that may arise during the practical implementation of the RMS.

1.6. The RMS is implemented in the context of specific goals and objectives set for KMG, which follow from the validated strategies, development plans and other internal regulatory documents (IRDs). KMG determines the risk appetite at least once a year.

1.7. RMS implementation and improvement in KMG is a prerequisite for achieving the Company's strategic, financial and operational goals and is considered one of the most important tasks.

## 2. Definitions and Abbreviations

2.1. The following definitions and abbreviations are used in this Policy:

Risk Owner	An employee or a structural unit, or a collegial body of KMG responsible for managing a specific risk, in particular, reducing the likelihood of risk materialization and/or reducing the possible impact of the consequences of the risk materialization on KMG.
Risk Map	A graphical representation of KMG's risks on a consolidated basis, arranged in a rectangular table with the vertical axis indicating the amount of risk damage and the horizontal axis indicating the likelihood of its occurrence.
Key Risk Indicator (KRI)	An indicator that signals the trends in risk factors and the possible risk materialization that could have a negative impact on KMG's operations. For example, deviation (failure to fulfill) the plan for certain performance indicators) and the number (or share in the total number of events) of failures, accidents, delays, incidents, manufacturing defects, lawsuits, negative press publications, etc. for the period.
Key Performance Indicator (KPI)	Indicators that characterize the Company's financial and production performance and the degree to which the employees achieve their strategic goals.
Risk Profile	An integrated review of KMG's risks, which makes it possible to consider the types, degree of impact and interdependence of risks, their effects on KMG's performance.
Risk Register	A document containing information on KMG's risks on a consolidated basis (risk description, risk factors, risk owner, risk assessment indicators, risk management action plan, etc.), in addition

	to KMG's risks, the register includes the SDEs' risks included in the risk map red zones.
Risk	The likelihood of events (or factors) that may affect the achievement of KMG's strategic, financial, and operational goals.
Risk Factor	Conditions, state, circumstances under which the causes of risk appear, leading to the risk materialization. Risk factors may be external, arising outside of KMG's operating activities and independent of its activities, as well as internal, related to KMG's processes, organizational structure, human resources and assets and arising within its operating activities.
Risk Appetite	The acceptable level of risk and/or loss that KMG is willing to accept in pursuit of its strategic, financial and operational goals. Within its risk appetite, KMG determines acceptable limits for risk appetite (for example, investment limits for one project, borrowing limits, etc.).
Risk Unit	A structural unit of KMG's responsible for the RMS organization and coordination.
Tolerance	The acceptable level of deviation in relation to achieving a specific business goal due to the risk materialization, expressed as KRI limits or thresholds, into which the validated risk appetite is decomposed after the risk identification and updating.
Risk Management	Culture, competencies, methods and approaches integrated into all processes ( <i>from strategic planning to performance management</i> ), that KMG relies on ( <i>to manage risks</i> ) when creating, conserving and realizing value. Risk management is one of the key elements of corporate governance, an integral part of the managerial decision-making process at all levels of the organization. In the Policy, the terms “risk management”, “risk management”, “RMS” are used interchangeably.
RMS Participant	The Board of Directors (BoD), its committees, the Internal Audit Service (IAS), the Management Board, KMG's employees, the risk department, KMG's structural units, risk coordinators.
The Three Lines	An approach to organizing the RMS based on the fact that for an

of Defense Model	effective RMS under the leadership of KMG's Board of Directors it is necessary to divide roles and responsibilities between three separate groups (lines of defense): business functions (each structural unit of KMG), risk monitoring and control function (risk unit, Compliance Service, Legal Support Department, Corporate Security Department), the function of independent RMS performance assessment (IAS).
SDEs	Subsidiaries and dependent entities, including jointly controlled entities and joint ventures of KMG.
Risk Coordinator	A responsible employee of a structural unit, appointed by the Risk/Risk Factor Owner, whose responsibilities include organizing and coordinating risk management work, accounting and analysis of materialized and potential risks in his/her structural unit, as well as interaction with the risk unit and other structural units.

2.2. Terms and definitions not disclosed in the Policy are used in the meaning defined in the laws of the Republic of Kazakhstan, KMG's Charter and other IRDs.

### **3. RMS Goals and Objectives**

3.1. The RMS of KMG and its SDEs is part of the Fund's unified risk management system. To this end, KMG is building the process of implementing the RMS in accordance with the requirements of the Fund's regulations.

3.2. The RMS is a set of interrelated elements combined into a single process, within the framework of which the BoD, management and employees at their levels participate in identifying potential events that could affect the operations of KMG and its SDEs, as well as in managing these events within a risk level acceptable to shareholders.

3.3. The RMS is intended to provide reasonable assurance of achieving the following goals:

- 1) strategic goals: creating and conserving value, enhancing long-term sustainability, increasing capitalization and investment attractiveness;
- 2) operational goals: efficient and effective use of resources, safeguard of assets;
- 3) reporting goals: preparation of reliable reports;
- 4) compliance goals: compliance with applicable laws and IRDs.

3.4. The RMS is a tool that supports the managerial decision-making process and KMG's daily operations. The system contributes to obtaining additional practical effect in the following activity areas:

– *Strategic planning.* The RMS ensures the fulfillment of strategic planning requirements in terms of risk identification, assessment and management, acting as a simple and practical tool to support planning and achieving strategic goals.

– *Budgeting.* Information about risks and plans for their management serves as a justification for the requests of KMG and SDEs for the allocation of resources, including financial ones.

– *Incentive and performance assessment system.* The RMS performance is used as one of the criteria for assessing the performance of KMG and SDEs' structural units and individual employees.

– *Risk monitoring.* The results of the risk assessment justify the need to consider and monitor material risks at a higher management level in KMG and its SDEs.


3.5. The RMS cannot guarantee the achievement of goals or ensure its success, as it has a number of inherent constraints that must be taken into account when making managerial decisions. At the same time, the RMS provides reasonable assurance in their achievement. The main constraints of the RMS include:

- 1) human factor:
  - subjectivity of judgments by the management bodies of KMG and SDEs;
  - intentional or unintentional violations of established rules and procedures by the employees of KMG and SDEs;
- 2) uncertainty of the future:
  - effect of external events beyond the control of KMG and SDEs;
  - inability to account for all variables and interactions when building risk assessment models;
- 3) limited resources (time, finances, technology, personnel) for conducting a detailed risk analysis.

3.6. Despite existing constraints, effective, integrated and consistent risk management across KMG and SDEs provides significant benefits, including:

- increased certainty in achieving strategic, financial and operational objectives set based on risk appetite;
- reducing the likelihood of negative unforeseen events, reducing instability and improving profitability by taking acceptable risks commensurate with the scale of operations;
- compliance with legal, regulatory and corporate requirements;
- the ability to promptly track changes and trends in the external environment;
- improving the quality of the decision-making process and transparency;
- improving control over losses and expenses, maintaining an optimal cost-effective control environment;
- improving performance indicators;
- identifying and using new opportunities and markets to create additional value.

3.7. Thus, given the inherent constraints, the RMS is an important tool for managing and ensuring the sustainable development of KMG. It makes it possible to

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remain flexible and adaptable to changing conditions of the external and internal environment.

3.8. The RMS objectives include:

1) Integrate risk management into all aspects of the business activities of KMG and SDEs, including vertical implementation at all levels of management.

2) Develop a risk culture and determine the level of risk appetite in accordance with KMG's Development Strategy.

3) Prevent occurrence of events that threaten the achievement of strategic, financial and operational goals, mitigate their effects to an acceptable level and effectively respond to negative events.

4) Improve the decision-making process, taking into account risks and their factors, and ensure the rational use of capital.

5) Seize opportunities for appreciation and improving profitability in the long-term.

6) Create a system in which owners of goals and risks independently identify and assess risks, apply standardized management methods and develop measures to mitigate them.

7) Provide reasonable assurance to stakeholders that KMG and its SDEs effectively manage risks and maintain an internal control environment.

3.9. The RMS policies and procedures are implemented in stages, and the deadlines of their implementation and full compliance will depend on the specific stage of RMS development.

## **4. Scope**

4.1. This Policy applies to all levels of management and activities of KMG and its SDEs and is mandatory for all employees, heads of functional blocks, structural units and officials of KMG. In the performance of their job duties and the accomplishment of the tasks set, the employees are guided by the provisions set out in the Policy.

4.2. The Policy applies to KMG and its SDEs. In this case, if the legislation of the country of SDE registration enforces stricter requirements than the Policy provisions, the requirements of the legislation of the country of SDE registration shall apply, and in the part not governed by such legislation, the Policy provisions shall apply.

4.3. The Policy may be applied in SDEs by validating similar policies or bringing the SDEs' IRDs in line with this Policy, tailored to the operations of the respective SDE.

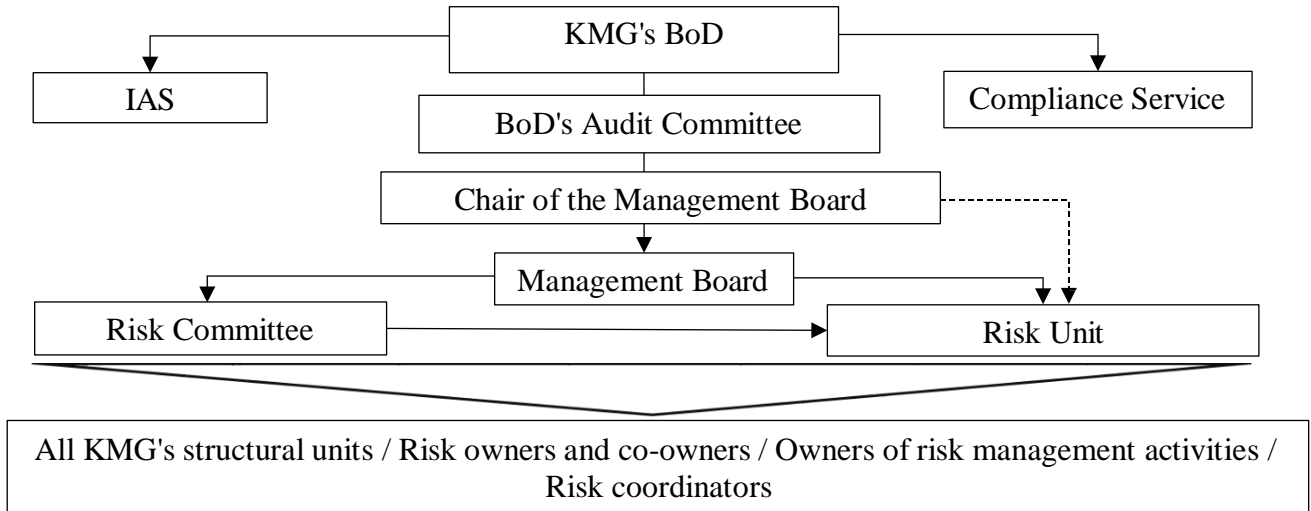
4.4. When implementing this Policy, KMG takes into account the interests of shareholders and other stakeholders, as well as the possible effects of risk materialization for them.

4.5. The Policy is posted on KMG's official website on the Internet, in the electronic document management system, and its main provisions are disclosed in KMG's annual report.

## **5. Responsibilities of the RMS Participants and their Tasks**

5.1. The RMS organizational structure in KMG is represented by risk management at several levels engaging the following bodies and structural units of KMG.

**Figure 1. RMS Organizational Structure**



5.2. Officials, heads of functional blocks, structural units and employees of KMG and SDEs shall be responsible for risk management within their functional duties and powers. They are also responsible for the proper implementation of the requirements of this Policy and other IRDs of KMG and SDEs related to its implementation.

5.3. KMG's BoD shall oversee the RMS effectiveness by performing the following risk management functions:

- 1) define the goals (short-term and long-term) of KMG;
- 2) within the Policy: approve the principles, approaches to the RMS organization and the allocation of tasks between the risk management process participants;
- 3) approve the Risk Appetite, Tolerance, Key Risk Indicators, Register, Risk Map, Risk Response Action Plan, and KMG's consolidated risk reports (Risk Report);
- 4) ensure proper review of the matters within the BoD's competence, taking into account the associated risks in decision-making;
- 5) take appropriate measures to ensure that the current RMS complies with the principles and approaches to its organization defined by KMG's BoD and functions effectively, including (but not limited to) reviewing the IAS's RMS performance assessment reports, and analyzing the external auditors' opinions on RMS improvement;
- 6) shall regularly determine for itself whether it has the necessary independence, skills, experience and knowledge of the business and whether it has access to complete information on the current matters of KMG's operations to oversee risk management.

5.4. KMG's Audit Committee shall assist KMG's BoD on matters of control over the RMS reliability and effectiveness.

5.5. The IAS shall conduct an independent RMS performance assessment and promotes RMS improvement. The IAS shall support the Audit Committee and the BoD of KMG by providing independent risk management opinions and recommendations.

5.6. The Risk Unit, within the scope of its functions and available resources, shall support the Supervisory Boards and Boards of Directors of KMG's SDEs by providing opinions and recommendations on risk management effectiveness matters.

5.7. The Compliance Service shall be responsible for the development and implementation of a compliance program aimed at managing the risks of failure to comply with the Code of Business Ethics, anti-corruption legislation and other regulatory requirements applicable to KMG and its SDEs.


5.8. The Chairman of KMG's Management Board, within the scope of his authority, shall:

- 1) ensure the RMS operation in KMG;
- 2) implement resolutions of KMG's BoD and recommendations of the Audit Committee of KMG's BoD on the RMS organization;
- 3) sign RMS organization orders that do not require approval by KMG's BoD or Management Board, including approval of the risk coordinator register and the Risk Committee composition as set forth in the IRDs.

5.9. KMG's Management Board shall be responsible for creating and maintaining the RMS effectiveness by performing the following functions:

- 1) ensure the Policy implementation, development, approval, revision and implementation of IRDs, taking into account changes in the internal and external environment, and informs KMG's BoD about all approved risk management IRDs;
- 2) implement resolutions of KMG's BoD and recommendations of the Audit Committee of KMG's BoD in the risk management system organization;
- 3) segregate the powers, duties and responsibility for the RMS procedures among the heads of structural units;
- 4) ensure the implementation of risk management procedures by employees with the necessary qualifications and experience;
- 5) ensure the integration of risk management into KMG's business processes, including consideration of risk information in performance reports and when discussing matters within the competence of the Management Board;
- 6) preliminarily approve quarterly risk reports for subsequent review by KMG's BoD;
- 7) review matters related to limits, risk management techniques, response measures and other aspects in accordance with the IRDs;
- 8) monitor the RMS, including compliance with the IRDs, risk appetite and tolerance levels, reviews risk reports and takes necessary measures.

5.10. In order to ensure horizontal communication and effective implementation of the RMS, the Risk Committee operates, which acts as an advisory body to KMG's Management Board, conducts a preliminary review of the risk management matters and provides recommendations to the Chairman of KMG's Management Board and/or KMG's Management Board for decision-making in this area. *A detailed description of the*

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*composition, functions and organization of the Risk Committee is provided in the relevant IRDs on KMG's risks.*

5.11. KMG's BoD and Management Board, when performing their functions, shall rely on the Three Lines of Defense model, which ensures a balanced and systematic approach to risk management.

5.12. **The First Line of Defense (business functions)** in the RMS is represented by structural units and every employee within their competence. The employees of KMG and SDEs (risk owners and co-owners) shall directly manage risks on a daily basis, monitor their potential impact and implement risk management actions within their functional responsibilities.

5.13. Structural units shall be responsible for the timely identification and reporting of significant risks, as well as making proposals for their management. In doing so, they perform the following main functions:

- 1) identify and assess risks, implement response strategies, as well as specific response measures, and, if necessary, make proposals to improve the RMS in the areas under their supervision;
- 2) develop and update policies and procedures that regulate the business processes entrusted to them;
- 3) comply with the risk appetite and their KRIs for all its components within their competence;
- 4) fill in the database of materialized and potential risks in accordance with the IRDs on accounting and analysis of materialized and potential risks;
- 5) monitor external and internal factors that can have a significant impact on risks within the functions performed;
- 6) provide timely and complete information on risks to stakeholders, including the risk unit. The information is transmitted on a quarterly basis for the purposes of regular monitoring of tolerance, KRIs, the generation of a risk register and map, risk action plans, as well as for the preparation of consolidated reports. When new risks or changes in the risk profile are identified (including exceeding or approaching the KRI thresholds), the structural unit sends information and proposals for response measures within one business day from the date of identification.

5.14. In order to enhance the effectiveness of risk management, develop a risk culture and integrate the RMS into business processes, risk coordinators shall be appointed in each unit of KMG and SDEs. Risk coordinators shall coordinate risk management activities in their structural units and interact with the risk unit of KMG and SDEs. *The activity shall be regulated by the relevant IRD of KMG.*

5.15. **The Second Line of Defense** is represented by the risk unit, KMG's Compliance Service and other control services for industrial, internal, legal and information security.

5.16. The Second Line of Defense shall be responsible for monitoring the implementation by structural units (business functions) of effective risk management practices, compliance with the legislation and IRDs of KMG and its SDEs, as well as for

monitoring suspected violations of the Code of Business Ethics, anti-corruption legislation and other regulatory requirements applicable to KMG.

5.17. The Risk Unit shall perform the following functions:

- 1) coordinate risk management processes in KMG;
- 2) develop and updates risk management IRDs for KMG, informs risk owners about the validated documents and makes proposals for integrating risk management into business processes;
- 3) generate quarterly risk reports within the established timeframes;
- 4) generate a risk appetite with decomposition into acceptable levels for certain types of risks;
- 5) when preparing consolidated risk reports and reviewing materials submitted to KMG's Management Board and BoD, critically assess the completeness of coverage of identified risks and the adequacy of response measures, analyze the risk portfolio, participate in the development of proposals for a response strategy and, if necessary, for the reallocation of resources, focus management's attention on new and significantly changed risks;
- 6) provide methodological and practical support to risk owners and risk management units in KMG and SDEs;
- 7) administer the database of materialized and potential risks on an ongoing basis;
- 8) monitor credit, investment and market risks according to the limits and requirements set;
- 9) coordinate insurance and reinsurance of risks and possible losses, if necessary;
- 10) automate the main risk management processes;
- 11) assess and monitors the likelihood of the implementation of contingent liabilities;
- 12) evaluate the creation of reserves for possible default events;
- 13) interact with KMG's IAS, including participation in the formation of the annual audit plan and assurance map, discussion of audit results and exchange of knowledge and methodologies.

5.18. The Risk Unit shall be responsible for informing KMG's BoD, the Audit Committee and KMG's Management Board on the current state of risks and the response measures taken, changes in the control environment, significant deviations in the risk management process, ongoing RMS improvement measures, and other risk management matters.

5.19. In order to avoid a conflict of interest, the Deputy Chair of the Management Board supervising the risk unit shall not combine the functions of the risk owner, which ensures independence and objectivity in decision-making, for example, related to economic planning, corporate finance, treasury, internal audit, accounting or investment decision-making.

5.20. The Risk Unit shall interact with other structural units, SDEs, the IAS and external auditors of KMG to effectively implement the RMS goals and objectives.

5.21. The Risk Unit's employees must have access to all information and documents of KMG necessary for the performance of their functions stipulated by this Policy and their job descriptions.

5.22. The Risk Unit shall be responsible for developing and monitoring compliance with the requirements of this Policy.

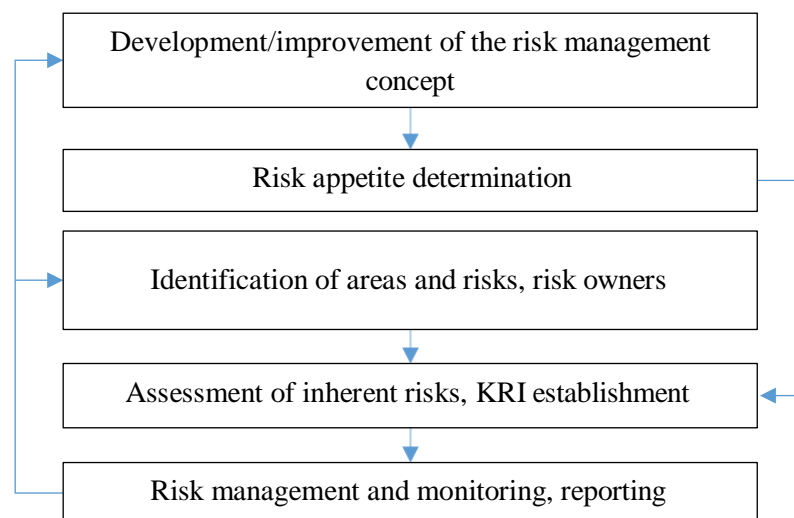
5.23. The responsibilities of the compliance service under this paragraph are set forth in paragraph 5.7. hereof.

5.24. **The Third Line of Defense (independent guarantee)** is represented by KMG's IAS. The service shall conduct an independent RMS performance assessment, promote the system improvement, support the Audit Committee and KMG's BoD, providing them with independent assessments.

## 6. RMS Structure

6.1. The RMS in KMG and SDEs, as one of the subsystems of the corporate risk management system (CSMS), includes 5 interrelated and integrated subprocesses (see Figure 2 of this Policy):


**Figure 2. RMS**



6.2. The CSMS subsystems have also been implemented and operate in KMG and SDEs:

- the internal control system (ICS), which is an integral part of the CSMS. The ICS is aimed at achieving operational goals and mitigating process risks in three key areas: (1) improving operations performance, (2) preparing complete and reliable financial statements, (3) complying with the requirements of the laws of the Republic of Kazakhstan and KMG's IRDs. *The objectives and principles of the ICS operation are detailed in the relevant ICS IRDs of KMG.*

- the business continuity management system (BCMS) aimed at reducing the likelihood of destructive incidents and enhancing preparedness for prompt and

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appropriate response in order to minimize potential damage. *The BCMS development and testing process is detailed in the relevant BCMS IRDs of KMG.*

6.3. The interconnectedness of all subsystems enables stakeholders to receive information on a one-stop-shop basis:

- 1) a unified profile view of all types of key risks of KMG and SDEs;
- 2) a unified view of the ICS effectiveness, designed to reduce the identified key risks in all areas;
- 3) a single effective cross-functional recovery plan in the event of the materialization of risks affecting the company's business continuity.

## **7. RMS Internal Environment and Management Culture**

7.1. The internal environment determines the general attitude of KMG and SDEs to risks, and how employees view and respond to them. It is the basis for all RMS components and includes the risk management culture (risk culture), risk appetite, control by management bodies, ethical values, competencies and responsibilities of employees, the structure of KMG, as well as opportunities determined by human, financial and other resources.

7.2. KMG and SDEs ensure a constant exchange of information to raise awareness of risks, develop a risk culture and effectively manage risks. All employees receive timely risk management assignments, understand their roles, responsibilities, and how they interact with colleagues. KMG's executive and management bodies are regularly informed about existing risks and measures to manage them. Effective communication with clients, partners, regulatory and supervisory authorities, as well as shareholders is also ensured.

7.3. Risk culture is the foundation of the risk management philosophy, encompassing a set of beliefs, understanding and knowledge in risk management, shared and applied by all officials and employees in the performance of their duties.

7.4. Risk culture is part of the corporate culture of KMG and SDEs and determines how risks are identified, assessed and managed at all stages – from strategy development to its implementation and monitoring of effectiveness.

7.5. In accordance with the main international standards of the RMS, KMG and SDEs regularly identify risks with the participation of employees of all structural units. This is aimed at identifying the widest possible range of risks, raising awareness of risks and developing a risk culture.

7.6. Risk culture is based on four principles:

1) *Tone at the Top*: KMG's BoD, Management Board and Management set the tone at the top, making decisions taking into account the balance between long-term value, profitability and risks associated with both making and not making decisions. Management encourages subordinates to engage in risk-based behavior. Each agenda item of meetings of management bodies is accompanied by a risk analysis and compliance with the established Risk Appetite.

2) *Corporate Governance*: KMG and SDEs form a control environment that

ensures the employees understand the obligation to comply with the Policy and all IRDs. The officials and employees of KMG and SDEs are clearly aware of their risk management responsibilities and powers. The Risk Owners understand, manage and promptly inform about risks in accordance with the IRDs.

3) *Decision Making*: The internal environment is characterized by open communication and transparency of risk information, which facilitates constructive discussion of associated risks and opportunities. This makes it possible to make effective decisions in response to external challenges. The remuneration system uses financial and non-financial incentives to form the correct attitude to risks when making managerial decisions. Decisions are made in accordance with the established risk appetite.

4) *Competence*: The RMS organizational structure of the KMG and SDEs is built on the Three Lines of Defense model, with the risk unit effectively performing the functions of the second line, providing management with the necessary confidence in achieving the goals of KMG and SDEs. The risk unit supports the development of a risk culture through adaptation programs for new employees, participates in mandatory and functional certification of its employees, organizes SCRUM meetings and uses other tools. If necessary, the risk unit can initiate anonymous risk surveys among KMG's employees.

7.7. The sources of information on the level of risk culture for KMG's Management Board and BoD are the RMS performance assessment documents, reports on the diagnostics of corporate governance and other sources.

7.8. KMG has established and operates a procedure for reporting violations of the Code of Business Ethics, the requirements of anti-corruption legislation, as well as cases of fraud, bribery and other violations.

7.9. The commitment of KMG and SDEs to the values is the basis for the effective functioning of the RMS. KMG and SDEs define the values, principles and standards of conduct on which the employees and officials' activities are based. Compliance with these standards ensures the protection of the interests and trust of stakeholders, contributing to the achievement of the strategic goals of KMG and SDEs.

7.10. The management of KMG and SDEs, under the BoD's supervision, shall determine the need for human resources necessary to achieve the Company's goals. KMG and SDEs develop plans for the allocation of duties in the event of crisis situations, as well as succession plans for key personnel.

7.11. The human resources management IRDs define the basis for engaging, developing and retaining skilled personnel.

7.12. When developing a strategy, take into account the external and internal environment, as well as the mission, vision and values.

7.13. The external environment includes political, economic, social, technology, legal and environmental factors. The interaction of KMG and SDEs with the external environment, including commercial organizations, public and regulatory structures, as well as government bodies, influences the formation of the internal environment. The external environment has a complex structure, covers interrelated industries and creates conditions for the emergence of systemic risks.

7.14. In order to maintain and develop a risk culture, KMG and SDEs shall conduct employee training, including familiarization of new employees and periodic training of all employees (at least once a year) in RMS operation.

7.15. The internal environment of KMG and SDEs includes:

- 1) the interaction of participants and allocation of functions within the RMS;
- 2) risk appetite, KRI and risk tolerance;
- 3) a single database of materialized risk events;
- 4) unified processes for risk identification, assessment, monitoring and risk communication.

## **8. Coordination of the Risk Management System: Determination of Risk Appetite, Risk Identification, Assessment, Management and Monitoring**

8.1. Coordination of the risk management system is the process of building, implementing, monitoring, analyzing and continuously improving risk management.

8.2. In order to improve the effectiveness of risk management, KMG shall take into account the expectations and recommendations of stakeholders, regulatory, supervisory authorities and audits, best international and industry practices, as well as the possibilities of using IT systems.

8.3. For further development and improvement of the RMS in KMG, separate conceptual documents may be developed, such as the RMS Development Strategy and/or the RMS Improvement Concept.

### **8.4. Risk appetite determination process:**

8.4.1. After setting strategic goals and performance targets, KMG's BoD shall define the boundaries of risks (risk appetite) that KMG and SDEs are willing to accept in order to achieve their goals. To do this, the BoD must have an idea of the key risks to which KMG and SDEs are exposed, and which they are able to withstand without loss of financial stability and viability.

8.4.2. KMG and SDEs shall analyze their maximum ability to absorb risks without losing viability, after which they calculate the desired risk level (risk appetite) and submit it for the BoD's review and approval. The approved risk appetite can subsequently be decomposed into individual limits (KRI/risk tolerance) after the risks are identified or updated.

8.4.3. Risk appetite shall be formed taking into account KMG's mission, vision and strategic goals. It is determined in relation to the investment, financial and operational activities of KMG and SDEs in the context of creating, maintaining and increasing the asset value.

8.4.4. Risk appetite shall be formed in parallel with the strategic planning process and determines the upper limit of critical risks that KMG and SDEs are ready to accept to achieve goals. Risk appetite influences the allocation of resources, the organization of processes and the creation of the infrastructure necessary for effective risk monitoring and management.

8.4.5. The risk unit shall annually analyze the relevance of the established risk appetite, following which the matter is submitted to the BoD for validation. In the event of material changes being identified in the internal environment (e.g., a change in strategy) or the external environment (e.g., new regulatory requirements), within three months from the date of identification of such changes, the risk unit shall, if necessary, initiate a review of the risk appetite and place this matter before the BoD as part of the risk report.

8.4.6. The risk appetite (risk appetite statement) of KMG and SDEs for the planning period has the following characteristics:

- reflects the strategy, including goals, business plans, financial constraints, and expectations of stakeholders;
- covers all key aspects (areas) of activity;
- takes into account the desire and the ability to take risks;
- determines KMG's attitude to risks;
- it is periodically reviewed taking into account the industry and market conditions;
- requires effective monitoring of the risk itself;
- includes both quantitative and qualitative indicators.

8.4.7. Risk appetite shall be determined by quantitative and qualitative indicators and can be expressed in acceptable deviations of top-level KPIs, acceptable values of top-level risk indicators, and statements regarding certain risks.

8.4.8. Quantitative parameters are numerical indicators that affect the operations of KMG and SDEs.

8.4.9. The qualitative parameters reflect the limitations set by KMG and SDEs in order to:

- comply with laws;
- achieve the established KPI values and other covenants, as well as established standards by the Fund;
- maintain and improve reputation;
- ensure the achievement of goals in strategic areas of development;
- reduce the influence of external factors;
- improve the quality of the internal environment;
- improve work safety conditions;
- raise the business process maturity level;
- and other goals determined by the IRDs of KMG and SDEs.

8.4.10. When determining risk appetite, KMG and SDEs shall adhere to international standards in the field of risk management and recommendations of relevant international associations, and establish risk appetite for the following key resources:

- *Profitability*: the main buffer and loss absorber. Risk appetite shall be determined by quantitative metrics.

– *Capital*: provides additional capacity to absorb losses beyond profitability and allows you to take risks for development. It can be expressed by quantitative metrics and qualitative statements.

– *Liquidity*: ensures the fulfillment of short-term plans and initiatives. Liquid reserves in the form of short-term securities enable them to be converted into cash quickly and without significant losses under stressful conditions.

– *Reputation*: plays a key role in maintaining trust in KMG and SDEs and management by stakeholders, creating conditions for the implementation of management decisions and business initiatives.

8.4.11. Risk appetite indicators can be set as annual (for example, operating losses during a financial year do not exceed 10% of EBITDA) and/or long-term (for example, the discounted amount of capital investment losses for the entire duration of the project does not exceed 3% of KMG's equity).

8.4.12. The level of risk appetite shall be determined based on the principles of financial stability. The higher the debt burden, the lower the risk appetite is established, which provides a reserve of liquidity to cover possible losses and maintain the stability of the financial activities of KMG and SDEs. *The calculation of risk appetite is set out in the relevant IRDs on KMG's risks.*

8.4.13. KMG may apply the calculation of risk appetite in quantitative form based on data from the separate cash budget of KMG and SDEs for the planned year, *which is set out in the relevant IRDs on KMG's risks.*

8.4.14. KMG's BoD has the right, at its discretion, to set a different amount of risk appetite, but it should not exceed the calculated value.

8.4.15. The calculated risk appetite indicator is used as a basis for making risk management decisions.

8.4.16. In order to preserve assets and improve the efficiency of the value chain, the distribution, the value of the quantitative risk appetite by the profitability indicator is subject to decomposition by types of risks, which include: market, credit and operational risks. *The calculation of the distribution of the quantitative risk appetite is set out in the relevant KMG's IRDs on risks.*

8.4.17. Taking into account the fact that KMG and SDEs' profitability cannot act as a “safety cushion” to cover all potential losses, KMG and SDEs have the right to express a risk appetite for capital.

8.4.18. KMG and SDEs have the right to independently determine the proportion of risk appetite distribution between market, credit and operational risks, if this is necessary to achieve KMG's goals, priorities and/or development strategy.

8.4.19. Risk appetite for liquidity and reputation can be expressed by qualitative parameters in the form of super-level statements (“commandments”) that affect KMG and SDEs' strategic goals and reputation. Metrics, indicators and their values can be adjusted depending on the types of activities and changes in external/internal factors.

8.4.20. KMG and SDEs ensure the realization of risk appetite by taking unplanned losses on its balance sheet, that is, financing losses from current cash flows or equity capital as they arise.

8.4.21. Risk appetite is integrated into the decision-making process at all levels of KMG management. Risk appetite, risk tolerance, KRIs and risk limits are interrelated and are under constant monitoring for their compliance.

8.4.22. Compliance with Risk Appetite is mandatory for the employees of KMG and SDEs when conducting transactions, initiating transactions, analyzing projects, and for officials when making managerial decisions.

8.4.23. When choosing a strategy, KMG and SDEs shall take into account the risk profile and established risk appetite, as well as analyze alternative strategies in terms of risks and opportunities for each of them.

8.4.24. Understanding the risk profile makes it possible to determine the resource requirements for the implementation of the strategy, while remaining within the Risk Appetite.

8.4.25. If the risk associated with a particular strategy exceeds the established Risk Appetite, it is necessary to choose an alternative strategy or review the Risk Appetite.

8.4.26. KMG and SDEs shall formulate business objectives in accordance with the IRDs for strategic and business planning. When setting goals, it is taken into account that an aggressive goal can increase the level of risk, and therefore KMG and SDEs take into account risk appetite.

8.4.27. In order to effectively monitor and prevent exceeding the established level of risk appetite, KMG and SDEs establish KPIs/tolerances reflecting permissible deviations from business goals as a result of the implementation of risks.

8.4.28. The KRI/Tolerance are subject to quarterly monitoring and may be revised in the event of changes in the external and internal environment within the Risk Report.

#### **8.5. Risk identification and assessment process:**


8.5.1. The risk management process includes cyclically recurring procedures that ensure timely and high-quality risk identification, risk assessment, selection of a management method, risk monitoring and RMS performance assessment.

8.5.2. The results of risk monitoring and RMS performance assessment are used to improve conceptual approaches to risk management and/or risk identification.

8.5.3. Risk identification is of key importance in ensuring effective risk management, and is considered as one of the cost optimization tools. Early identification of risks and identification of adequate measures to mitigate and eliminate their effects makes it possible to plan the sources and amount of financing for risk management measures, as well as enhance the performance of KMG and SDEs.

8.5.4. KMG has implemented a regular process for identifying and documenting risk areas in the Risk Register. Risk areas include processes, structural units, facilities, assets, projects, and other elements that affect the achievement of strategic goals. After identification, a detailed description and analysis of specific risks in each key area is carried out, as well as risk owners are identified. All structural units of KMG and SDEs are engaged in this process.

8.5.5. Risks are identified as part of a quarterly risk inventory when preparing the Risk Report and during current operational activities. If a significant risk is discovered that has not previously been included in the Register, the risk owner is obliged to inform

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the risk unit. The risk unit shall analyze the information received, request additional information if necessary, and make a decision on including the new risk in the Risk Register.

8.5.6. In order to keep the risk profile of KMG and SDEs up-to-date, all structural units are required to maintain regular communication with the risk unit by providing timely and complete information about the risks they own. Late or incomplete provision of information about risks may lead to the unwillingness of KMG and SDEs to respond to risks and threats.

8.5.7. KMG's structural units and SDEs shall be fully liable for providing the risk unit with information according to the established template and within the timeframes specified in the relevant request of the risk unit. In case of untimely and/or incomplete provision of information, the risk unit has the right, if necessary, to increase the risk assessment due to the lack of confirmation of risk control by the risk owner.

8.5.8. The risk identification and assessment process is initiated by the employees of KMG and SDEs every time risk factors arise in their activities and may include the use of the following methods and tools:

1) *Process analysis*. Identification of risks that may affect the achievement of goals, objectives and KPIs, using reports on the results of audits and other audits, the results of technical audits and inspection visits to production units.

2) *Industry and international comparisons*. Analysis of potential events specific to organizations by industry or function using reports from specialized agencies.

3) *Discussions within structural units*. To identify risks affecting the structural unit, including discussion of the draft risk register and changes to it, questionnaires to identify and assess the risks of corporate governance, ICS, quality management system, project management, etc.

4) *Targeted interviews with key employees*. For an open discussion of existing and potential risks and ways to manage them.

5) *Analysis of accounting documents and performance indicators*. The use of plans, audit reports, and other documents to identify risks based on recorded risk events that led to losses or affected the level of risk.

6) *Near Miss analysis*. Accounting for incidents related to violations of business processes, operational, and production regulations that could have led to risks (injury, fire, spill, accident, etc.), but did not. The larger the Near Miss, the higher the probability of risk. Near Miss should be registered by risk owners and organizations of KMG in the electronic database of materialized and potential risks.

7) *The use of an electronic risk database*. The risk unit shall administer a single database on risk events, to which the structural units of KMG and SDEs provide information. The database is used to collect statistics on risk events, quantify risks, and prepare analytical risk reports. *The procedure for maintaining the database is provided for in the relevant IRDs on KMG's risks.*

8) *SWOT analysis*. It includes an assessment of internal (strengths/weaknesses) and external (threats/opportunities) factors, as well as other risk identification tools.

9) *Business process analysis*. It is conducted during the development, endorsement and validation of IRDs describing the processes. The identified risks are reflected in the risk and control matrix.

8.5.9. Identified risks are systematized in the Risk Register using the following classification by type (including, but not limited to):

- strategic risk (S) – the risk of losses due to changes or errors (deficiencies) in determining and implementing the strategy of activity and development, changes in the political environment, industry recession, and other external factors of a systemic nature;
- financial risks (F) – include risks related to the capital structure and declining financial profitability, including: market risks (fluctuations in interest and exchange rates, fluctuations in natural resource prices), liquidity risks, credit risks (for corporate counterparties, individuals, second-tier banks and requirements in other countries);
- legal risks (L) - risks of losses due to non-compliance with the legislation of the Republic of Kazakhstan and other countries, as well as internal rules and procedures;
- operational risk (O) - the risk of losses and accidents at work as a result of deficiencies or errors in the implementation of internal processes made by employees (including personnel risks), the functioning of information systems and technologies (process risks), industrial safety (accidents at work), as well as due to external events.

8.5.10. The Risk Register is a single list of risks faced by KMG and SDEs in their operations and is a tool for analysis rather than decision-making.

8.5.11. The Risk Register shall be updated by structural units on an ongoing basis as new risks are identified and contain at least the following information: risk numbers and name; risk description (indicating the main factors), strategic objectives (in accordance with KMG's development strategy); risk materialization effects; risk owner; inherent and residual risk assessment; risk appetite with threshold metrics and actual values, KRIs/risk tolerance and other data at the request of the risk unit.

8.5.12. The risk assessment process is carried out in order to identify (prioritize) the most significant risks that may negatively affect consolidated operations and the achievement of strategic goals.

8.5.13. Risks are assessed by risk owners in terms of the probability (frequency) of their occurrence and their impact on strategy and business plans. *Qualitative and quantitative methods are used in the assessment under this Policy and/or other IRDs on KMG's risks*. The assessment is also conducted to determine whether events present opportunities or risks for achieving specific KPIs of KMG and SDEs.

8.5.14. Quantitative assessment makes it possible to obtain more accurate analytical data and is especially useful in developing risk financing methods. Risks that cannot be quantitatively assessed (due to the lack of reliable statistical information or the economic inexpediency of modeling) are assessed on a qualitative basis.

8.5.15. Qualitative risk assessment is carried out either by targeted interviewing of employees or by means of a questionnaire, in which experts are asked to select the risks that they consider the most significant, evaluate them according to the proposed point scale, and also give recommendations on how to manage them. A combination of methods can be used as a tool.

8.5.16. In quantitative assessment, the risk is assessed first on a gross basis, then on a net basis, taking into account the risk management measures taken.

8.5.17. The following methods and tools can be used for quantitative assessment:

1) *Assessment based on the value of the property* that may be damaged as a result of the implementation of the risk. Scenarios of material damage are used to calculate the replacement value of the property to be repaired or replaced. It is mainly used for operational risks (damage to property as a result of man-made disasters, fires, etc.).

2) *Assessment based on lost revenue* by determining the risks of possible production downtime or supply disruptions. The calculation is based on income (or fixed expenses) per unit of time (hour, day, etc.).

3) *Assessment based on benchmarking* for risks whose damage cannot be calculated using formulas (for example, risks of liability for harm, environmental risks). Risk materialization scenarios are used, the potentially involved parties and the amount of possible damage are determined based on industry and territorial statistics, including an analysis of the impact of risks on the market value of stocks and other securities.

4) *Assessment using statistical models* for risks having monetary value and dependence on external factors (for example, fluctuations in oil prices, exchange rates, interest rates). Regression analysis methods, Monte Carlo simulation, Tornado analysis and other methods based on historical data are used to predict the possible impact of risks. Specialized software products are used for analysis, such as @Risk or other software tools with similar functionality.

5) *Assessment based on historical data on materialized risk events*. Separate or combined methods are used in the relevant KMG's IRDs for market risk management:

- *Value-at-Risk (VaR)* is an estimation of marginal losses with a probability of 95% or 99% over a certain period.

- *Cash-flow-at-Risk (CFaR)* is an estimation of the maximum deviations of cash flows from the planned values with a probability of 95% or 99%.

- *Earnings-at-Risk (EaR)* is an analog of CFaR, which takes into account the accounting aspects of recognizing a company's income. Unlike CFaR, where the cost metric of risk is cash flows, when calculating EaR, the cost metric of risk is the future profit of the company.

- *Statistical analysis of operational risk sources (Poisson model)*. Forecasting potential operating losses based on historical data on operating losses with a 95% or 99% probability over a given planning horizon. Data from the electronic database of realized and potential risks is used.

6) *Stress Testing* is a method of risk assessment using stochastic models that simulate exceptional but possible changes in market risk factors: single-factor and multifactorial (in terms of the number of risk factors being changed), historical and expert (in terms of types of scenarios). Historical stress testing uses data from past changes, while expert stress testing is based on the expectations of internal and external experts (including Bloomberg, Reuters). Monte Carlo simulation in the framework of stress testing involves multiple simulations based on the average values and standard deviations

of data for various parameters.

8.5.18. As part of the risk assessment, the risk owners and risk unit distinguish between inherent (risk, in the absence of response measures) and residual risk (risk, taking into account response measures). Comparing these values makes it possible to identify measures that were not effectively planned or implemented.

8.5.19. In order to calculate the risk value, it is necessary to identify and evaluate all possible consequences of the occurrence of risk factors and the probability of the consequences themselves. Determining the consequences is an important component of the risk identification process, as data on the consequences allow experts to assess the extent of the risk's impact on the strategic goals and activities of KMG and SDEs.

8.5.20. The risks are assessed according to three indicators indicated in Tables 1, 2 and 3 below: risk frequency or probability, the time of impact and the level of risk. To ensure comparability of risks among themselves and facilitate qualitative assessment, a point scale is introduced:

**Table 1. Risk Frequency or Probability**

<b>Point</b>	<b>Value</b>	<b>Frequency or probability</b>
1	Very rarely	Once every 7 years or more (or probability of occurrence up to 5%)
2	Rarely	Once every 5 years (or probability of occurrence up to 25%)
3	Occasionally	Once every 3 years (or probability of occurrence up to 40%)
4	Often	Once a year (or probability of occurrence up to 80%)
5	Very often	Once every six months or more often (or the probability of occurrence is over 80%)

**Table 2. Impact Time /Materialization Rate**

<b>Point</b>	<b>Risk/risk factor impact time/materialization rate</b>
1	There is time for correction, the impact of the risk/risk factor manifests itself with a significant time lag
2	Limited time for correction, impact of risk/risk factor appears with a time lag
3	There is no time for correction, the impact of the risk/risk factor is immediate

**Table 3. Quantitative Risk Level**

<b>Point</b>	<b>Severity of impact</b>	<b>Potential loss from the risk occurrence</b>
1	Minor	Below 25% of the risk appetite level
2	Moderate	25-50% of the risk appetite level
3	Major	50-75% of the risk appetite level
4	Critical	75-100% of the risk appetite level
5	Catastrophic	Above the risk appetite level

**Level of risks with difficult-to-quantify impacts (e.g. risks to personnel, reputation, etc.)**

Point	Severity of impact	Potential loss from the risk occurrence
1	Negligible	No effects in case of risk materialization
2	Low	Effects of risk materialization are low
3	Medium	Effects of risk materialization are low and can be completely corrected
4	Significant	Effects of risk materialization are very significant, but can be corrected to a certain extent
5	Catastrophic	If the risk is materialized, KMG will be barely able to recover from the consequences associated with this risk

8.5.21. In order to ensure the effectiveness of the process and reduce the costs of its implementation, KMG and SDEs shall focus on the risks that may have the most significant impact on the financial condition, goals and objectives.

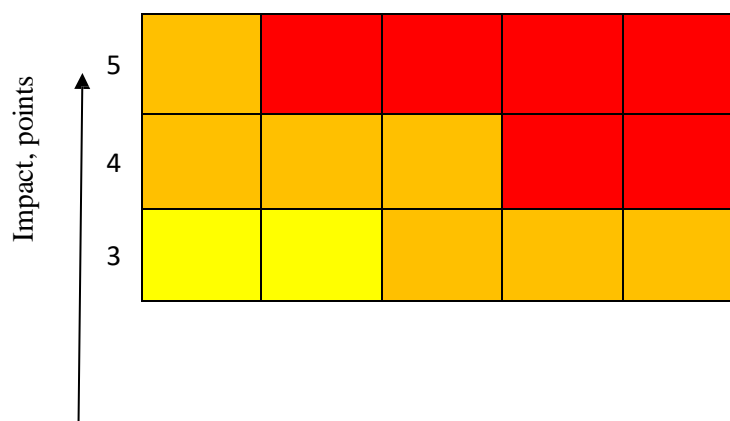
8.5.22. The priority of risks shall be determined depending on their position on the Risk Map:

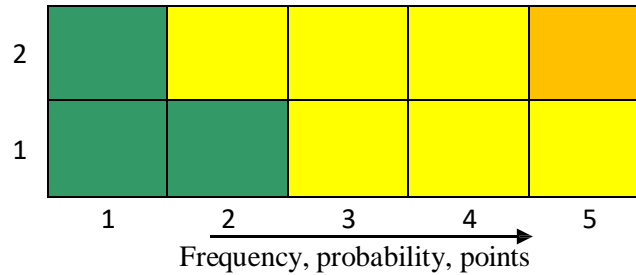
- Critical risks (red zone) – risks of the highest priority, the level of damage for which is 75% or more of the risk appetite level.
- Major risks (orange zone) – risks of the second priority, the level of damage in the range of 50-75% of the risk appetite level.
- Medium risks (yellow zone) – risks of the third priority, the level of damage in the range of 25-50% of the risk appetite level.
- Low risks (green zone) – risks with the lowest priority, the level of damage for which is up to 25% of the risk appetite level.

8.5.23. The identified risks, taking into account the results of their assessment, are reflected on the Risk Map. The map makes it possible to assess the relative importance of risks, as well as identify critical risks that require priority development of measures to manage them.

8.5.24. The risk map includes four color zones: red, orange, yellow and green: red, orange, yellow and green zones. The horizontal axis shows the probability (frequency) of risk: the probability increases from left to right. The vertical axis shows the impact force (significance): The impact increases from the bottom up.

**Figure 3. Risk Map**





8.5.25. Risk identification numbers (according to the Risk Register) are applied to the Risk Map depending on the frequency (probability) and size (impact) of the risk.

8.5.26. The risk map contains two maps: with estimates of the inherent and residual risk levels. Placing maps on one sheet allows you to visually determine the effectiveness of measures to reduce the likelihood and impact of risks.

8.5.27. When prioritizing risks, in addition to the results of the assessment, additional criteria may be taken into account: the ability of KMG and SDEs to adapt and respond to risk, the interdependence of risks, the speed and duration of the impact of risk on the operations of KMG and SDEs.

8.5.28. The results of the risk assessment determine the choice of response measures: acceptance, avoidance, transfer, control to meet the established risk appetite. Limits are set for key risks, i.e. KPI thresholds, by decomposing risk appetite. When selecting risk indicators, existing KPIs and independent monitoring capabilities are taken into account.

8.5.29. The results of risk identification and assessment are provided to the Management Board, BoD and relevant committees in the Risk Report, including a risk map and register, KRI thresholds, information on key risks and measures to manage them, on the basis of which decisions are made on management and control measures. Exceeding the KRI thresholds serves as an early signal for risk review, risk assessment and response measures.

8.5.30. The developed KRIs are displayed in the Risk Register and validated as part of the Risk Report. KPIs include: calculation formula, information sources, unit of measurement, frequency of monitoring, threshold level, area of the KRIs, signaling the possible materialization of the risk. Depending on the purpose, there are advanced control measures (to identify risks that may occur in the near future) and final KRIs (to identify risks that have already occurred and may occur again).

8.5.31. KRIs should be measurable, comparable in time, understandable for perception with available data sources for calculations.

8.5.32. KRIs can be determined on the basis of:

- external and/or internal risk factors, expressed by coefficients or numerical values using macro/micro indicators (GDP, unemployment rate, remuneration rates, country rating) and internal information (management, financial, production reporting);
- preventive measures to respond to risk, expressed as a percentage or actual performance;
- KMG and SDEs' KPIs, expressed as a percentage of achievement.

8.5.33. The KRI threshold level shall be determined using the following approaches: statistical; objective (using external and internal requirements for the operations of KMG and SDEs); subjective (through a survey of experts, the use of KPI thresholds, legal requirements and IRDs).

8.5.34. Risk owners shall monitor the KRIs and provide the risk unit with information on the actual level of the KRIs with a set frequency of monitoring. If the threshold level is exceeded, the risk owner analyzes the reasons for the deviation within one business day from the moment of detection, notifies the risk department and initiates measures to prevent the risk from being realized or to prevent its re-realization.

**8.6. Risk response process as part of the risk management stage:**

8.6.1. KMG and SDEs shall define risk response strategies based on business conditions, benefit-cost ratio, obligations and expectations, risk prioritization, and Risk appetite.

8.6.2. The following response strategies are distinguished:

- *acceptance* of risk if the level is acceptable and there are no plans to take measures to reduce it;
- *avoidance* of risk by abandoning activities that create risk;
- a deliberate *increase* in risk in order to obtain additional benefits;
- *risk mitigation* by influencing the probability and/or consequences of risk through preventive measures and response plans;
- *transfer* (financing) of risk by transferring it fully or partially to third parties.

8.6.3. Strategic risk shall be mitigated through monitoring the implementation of the strategy and development plans with subsequent adjustments.

8.6.4. Methods of mitigating financial risks include (the list is not exhaustive):

- credit risks: *setting limits in accordance with the Fund's IRDs for credit risk management and setting limits and the relevant IRDs of KMG (if any) on credit risk management and setting limits;*
- market risks: control, calculation of possible losses, use of hedging and diversification. *The response methods are regulated in the relevant IRDs of KMG on market risk management;*
- liquidity risks: *setting debt load limits and financial stability ratios are regulated in the relevant IRDs of KMG on debt management.*

8.6.5. Reduction of legal risks is ensured by constant legal monitoring of the legislation of the Republic of Kazakhstan and IRDs.

8.6.6. Operational risk reduction is achieved by analyzing and improving business processes, implementing the ICS, and complying with labor protection, environmental, and industrial safety standards.

8.6.7. Transfer (financing) of risks includes the following instruments:

- insurance (used in relation to risks, the occurrence of which entails only losses and cannot lead to income) *is governed by the IRDs of the Insurance Protection Fund and the relevant IRDs of KMG (if any);*
- hedging (used in relation to risks, the realization of which can lead to both losses and income) *is governed by KMG's IRDs on hedging;*

- contract risk transfer (transfer of responsibility for risk to the counterparty for additional remuneration or a corresponding increase in the contract value);
- conditional credit line – access to bank financing on agreed terms upon the occurrence of certain events;
- other alternative risk financing methods.

8.6.8. If the applied methods for responding to risks are associated with costs and these costs are significant, the following shall be analyzed:

- to what extent are these measures necessary, and can they be reduced through a different risk response strategy;
- what is the opportunity cost of the event costs;
- The costs of risk response measures should be proportionate to the expected effect, without exceeding it, based on the “benefit minus cost” principle.

8.6.9. Risk owners shall submit proposals on strategies and response measures for inclusion in the Risk Management Action Plan.

8.6.10. The plan is mandatory for all structural units, includes measures for each risk factor with clear formulations, measurable indicators, deadlines, responsible persons and necessary resources, which can be adjusted based on the results of risk monitoring and materialization.

8.6.11. Risks in the green zone of the risk map do not require the development of measures, except in cases provided for by legislation, IRDs, regulations of supervisory authorities and audit recommendations.

#### **8.7. Risk monitoring as part of the risk management stage:**

8.7.1. Risk monitoring is integrated into KMG and SDEs' operational and strategic processes. The results are regularly analyzed, including an assessment of risk-based activities. This encompasses an analysis of the risks that affected performance, an assessment of the effectiveness of previous risk assessments and the adequacy of the measures taken, an assessment of the effectiveness of the measures themselves.

8.7.2. When business performance exceeds acceptable deviations, business goals, risk appetite, risk priorities, response measures, and other elements of the management system may be reviewed.

8.7.3. KMG and SDEs strive for continuous improvement of the RMS, including regular updating of policies, procedures and IRDs, taking into account the identified changes and lessons learned.

8.7.4. The Risk Unit shall:

- 1) at least once a year analyze the Policy and other IRDs for relevance and, if necessary, duly submit updates for approval;
- 2) review the materials prepared by the risk owners and make suggestions for improving risk management procedures;
- 3) implement measures to enhance the RMS performance.

8.7.5. KMG's IAS shall conduct an independent RMS performance assessment and provide recommendations for RMS improvement.

8.7.6. KMG and SDEs shall monitor internal and external changes that may significantly affect its strategy and development plans, and, if necessary, update its risk

appetite, risk tolerance indicators, risk register and map, as well as action plans for managing key risks. If necessary, updated risk reports are placed before KMG's BoD within the time limits set out in Appendix 1 to the Policy.

8.7.7. In order to support risk management processes, KMG uses data from external and internal sources, modern technologies, and a data management system using machine learning technologies to ensure information quality.

8.7.8. Information technologies are used to automate the risk identification, assessment, management and monitoring processes, taking into account the benefit–cost ratio analysis, ensuring RMS scalability and performance enhancement.

#### **8.8. Risk communication and reporting process:**

8.8.1. The risk management structure ensures adequate information exchange – vertically and horizontally:

- Bottom-up: in order to provide KMG's Management Board and BoD with information on current activities, accepted risks, their assessment, control and response methods.

- top-down: in order to communicate to employees the goals, strategy, desired culture, risk appetite, KRI/tolerance through IRDs and assignments.

- horizontally: for interaction between structural divisions and with the Risk Division, as well as with structural divisions responsible for risk management of SDEs.

8.8.2. Communication channels provide all participants in the RMS with reliable and timely information on risks, raising awareness of risk management methods and tools. Information is prepared in a form and within a time frame that enables employees to effectively perform their functions.

8.8.3. Risk and risk factor owners shall carry out continuous monitoring and inform the risk unit about potential and materialized risk events in accordance with the IRDs.

8.8.4. SDEs shall duly provide information on risks to KMG for consolidation, calculation of the total risk level and informing KMG's Management Board and BoD.


8.8.5. Access to information is subject to the current information dissemination regime in KMG.

8.8.6. KMG shall calculate Risk Appetite at least once a year, and generate quarterly a consolidated risk report for the BoD, the Audit Committee, the Management Board and risk owners. SDEs are required to provide consolidated risk reporting within the established time frame in accordance with Appendix 1 and the minimum requirements of Appendix 2 to the Policy.

8.8.7. KMG shall disclose information about RMS to partners, creditors, external auditors, rating agencies and other stakeholders, including the annual report, taking into account the nature and scope of KMG's operations.

## **9. Final Provisions.**

9.1. Matters not governed by the Policy shall be governed by the legislation of the Republic of Kazakhstan.

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**Appendix 1.  
Risk Reporting Deadlines**

Report Title	Deadline
Company's Risk Management Reporting	In accordance with KMG's Management Reporting Package.
Company's Financial Sustainability Report	In accordance with the IRD on debt management and financial sustainability.
Risk report placed before the company's authorized body	No later than the 20th day of the second month following the reporting quarter, under the BoD's work plan.

**Appendix 2.  
Minimum Requirements for the Risk Report Content**

1. Risk Map and Register:
  - Risk Map and Register for the forecast year, taking into account changes in risks for the reporting quarter (if any), including information on new risks.
  - Tolerance and KRI status.
  - A separate identification of critical risks with an indication of the causes and an Action Plan to respond to them.
  - Status of implementation of the Critical Risk Response Action Plan for the reporting quarter.
  - Information about failure to implement the Non-Critical Risk Response Action Plan (if any).
  - Changes in the Risk Response Action Plan for the reporting quarter (if any).
2. Report on compliance with the Risk Appetite and, if necessary, proposals for revising the Risk Appetite.
3. Financial risk reporting according to the IRDs on the management of certain types of risks.
4. Information on the investment project risks, including those implemented under government programs, as well as instructions from the RoK's President and Government.
5. Information on materialized risks with mandatory indication of damage (in quantitative, if possible, its calculation, and in qualitative assessment) and actions taken to respond to these risks with an assessment of the effectiveness of measures. This section should also include information on accidents and catastrophes, and occupational accidents.
6. Information on significant deviations from the established RMS processes (if any).
7. Activities carried out to improve the RMS in accordance with the IAS's recommendations (if any).
8. Information about the corporate reinsurance risk program implemented in accordance with the IRDs for the organization of insurance protection.
9. Statement on the RMS effectiveness/ineffectiveness (at least once every three years, taking into account the coverage of monitoring of control procedures).