

NAC Kazatomprom JSC	RMD	Risk Management
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Risk Management Policy of NAC Kazatomprom JSC

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1. Purpose

Risk Management Policy of NAC Kazatomprom JSC (hereinafter - the Policy) sets the goals and tasks of the Risk Management System (hereinafter - the RMS), defines RMS organizational structure and functions of RMS participants as well as describes the main processes of risk management in NAC Kazatomprom JSC (hereinafter - the Company).

2. Scope

2.1. The Policy covers all activities of the Company and is mandatory for use by all structural subdivisions and employees of the Company. While performing functional duties and implementing the tasks set, the Company's employees are guided by the provisions of this Policy.

2.2. The Company's subsidiaries and affiliates are recommended to develop their own risk management policy based on this Policy taking into consideration the specific character of the Company's enterprises activity.

3. Key terms and definitions

- **COSO – Committee of Sponsoring Organizations of the Treadway Commission;**
- **Shareholder- the person who is the owner of the Company;**
- **Company** – National Atomic Company Kazatomprom Joint Stock Company.
- **Subsidiary** – a legal entity where the Company formed the major part of authorised capital, or if in accordance with the contracts executed between them (or otherwise) the Company may determine decisions taken by this organization;
- **Affiliate** - a legal entity where the Company has a part of authorised capital which is not the major one;
- **Risks Management System (RMS)** - a combination of interrelated components, integrated into a single process within which the Board of Directors, the Management Board, heads of structural subdivisions and employees, each at their own level, participate in identifying the potential events that may affect the Company's activities and in the management of these events at the level of risk acceptable to the shareholders.
- **Risk holder** - a person (employee/structural division/collegial body) responsible for all aspects of management of the definite risk, in particular, for decreasing the probability of risk occurrence and/or decreasing of possible impact of consequences related to risk occurrence on the Company;
- **Investment risk** – an expected decline of outcome indicators of the project efficiency resulting under the influence of the internal and external factors;
- **Risk map** – a graphic representation of the Company's risks depending on the degree of their potential impact and probability of occurrence;
- **Qualitative assessment** – a determination of the degree of risk impact on the Company's activity according to internal criteria and risk probability based on the collective and expert assessment;
- **Risk classifier** – a list of risk categories classified by the specific strategic aims;
- **Key risk indicator (KRI)** – early indicators that represent early signals of changes in risk factors in different areas of activities. KRI allows to detect potential risks and take early measures to avoid the risk events or minimize their impact on the activity of organization;

- **Key risks of the Company** – the risks that in a result of assessment are located in the red/orange zone on the Company's risk map and risks from other areas, which, in the opinion of the executives /risk holder/risk manager may have the most negative impact on the achievement by the Company of its short-term and long-term goals;
- **Quantitative assessment** – a mathematical forecast and calculation of probability of risk occurrence as well as potential risk of material damage;
- **Limit for bank** - the amount of credit risk to the counterparty bank, with regard to the results of the analysis of its financial condition and the influence of risk factors;
- **Operational risk** – the risk of losses, industrial accidents as a result of faults or errors made in the course of internal processes by employees, functioning of information systems and technology, industrial safety, and also due to external events;
- **Legal risk** – the risk of losses due to non-compliance with the requirements of the legislation of the Republic of Kazakhstan, in relations with non-residents of the Republic of Kazakhstan - legislation of other States, and internal rules and procedures;
- **Preventive measures** – ongoing actions of the risk holders/event owners which have taken place before risk occurrence for efficient influence on the reasons of risk occurrence;
- **Responsive actions** – the planned actions of risk/actions owners that will be undertaken after risk occurrence for immediate response and reduction of negative consequences of risk occurrence;
- **Risk Register** - a list of risks which the Company may face to in its activity;
- **Risk** - presents a potential event (or concurrence of circumstances) in the future which in case of its implementation may have significant negative impact on the achievement by the Company of its long-term and short-term goals;
- **Risk appetite** - the degree of risk that the Company considers acceptable to itself in the process of achieving its goals.
- **Risk-manager** – an employee of the structural subdivision of the Company responsible for risk management activity;
- **Risk-coordinator** - an employee of the structural subdivision of the Company liable for the organization of risk management work in his/her structural subdivisions;
- **Risk-officer** – an official representing the Company's management that supervises activities related to the risk management of the Company;
- **Strategic risk** – the risk of losses due to change or errors (drawbacks) in definition and implementation of business and development strategy, changes in political environment, regional business environment, industry recession and other external factors of system-based nature;
- **Tolerance level (risk tolerance)** – an applicable level of divergence with regard to achievement of the specific goal. The tolerance level provides for effective monitoring and prevention of the increased level of risk appetite;
- **Financial risk** – the risk related to the capital structure and decrease of financial profitability. The financial risks include the market risks (fluctuations of interest and currency rates and the prices of natural resources), liquidity risks, credit risks (in relation to corporate counterparties, second-tier banks and as requested in other countries);
- **Fund** – Samruk-Kazyna JSC;

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4. General provisions

4.1. This Policy is developed in accordance with the Risk Management and Internal Control Policy of the Fund and other best practices in the risk-management field.

4.2. The mission of this Policy is to maintain a system of risk management, which allows the Company to effectively manage and allocate resources in the priority areas for ensuring socially acceptable level of risk and obtaining the maximum return on such investments through the identification, assessment, management and monitoring of risks. The Company officials and employees shall be governed by the Policy in performance of their duties and implementation of the set.

4.3. Risk management on the consolidated basis is carried out by introducing the risk management system (RMS) at all enterprises of the Company.

4.4. The Company provides methodological, consulting support and coordinates an activity for RMS development and improvement at the Company's enterprises;

4.5. The regulatory documents in the RMS field are revised (including this Policy) if necessary (no less than once a year) in order to provide their compliance with the objectives, scope and specifics of the Company's activity, to take into account the best risk management practice and accumulated experience, and new regulatory requirements, risk management experience and standards.

4.6. The Policy is posted on the Company's website and its main provisions are disclosed in the Company's annual report. The Policy and other documents in the RMS field are available for all employees and officials of the Company through Internet under rights of access. All employees and officials of the Company are informed of the amendments to RMS by email.

5. RMS goals and objectives

5.1. The main RMS goal is an increase of the efficiency of management of threats and opportunities that should facilitate the process of increasing the Company's capitalization. According to the Development Policy the RMS sets the following objectives:

- Protection of interests of the Company's shareholders;
- Ensuring the strategic and operational sustainability of the Company;
- Decrease of losses in the Company when unfavourable risks for the Company are occurred.
- Development and application of the uniform and consistent approaches to the identification, assessment and management of the Company's risks, simplification of the procedures for exchange of risk information vertically (management) and horizontally (exchange of experience).

5.2. The main RMS objectives are:

- Prevent the occurrence of events which threaten the achievement of the strategic and operational goals, reduce their impact if any to the appropriate level;
- increase risk culture and integrate risk management and internal control into all aspects of the Company's activities;
- Respond effectively to unexpected situations and manage them;
- Maintain systematic process of risk management forming a part of the overall process of ensuring of the effective internal monitoring environment;
- Provide reasonable guarantees to the parties concerned that the Company carries out effective risk management.

6. Main principles of RMS

The Company defines the following main principles of risk management:

- **Integrity** – considering the elements of the aggregate risk of the Company and its subsidiaries in terms of RMS;

- **Openness** – prohibition to consider RMS as an autonomous or isolated system;
- **Structure** - the composite risk management has well-defined structure;
- **Awareness** - risk management is accompanied by objective, reliable and relevant information;
- **Continuity** – the process of risk management is implemented on a regular basis;
- **Cycling** – the process of risk management represents continuously repeated established cycle of its main components;
- **Continuous improvement** – improvement of risk management activities, including information systems, procedures and technology in view of the strategic objectives, changes in the external environment, innovations in the world practice of risk management.

7. Determination of risk culture

7.1. Risk management culture (risk culture) is the basis of the risk management. These are beliefs, understanding and knowledge in the field of risk management, shared and applied by all officials and employees in the performance of their duties.

The risk culture is part of the Company’s corporate culture. The risk culture level defines the way of risk identification, assessment, and management from the moment of strategy development and to its implementation and effect monitoring.

7.2. The risk culture is based on four principles:

1) Top tone: The Board of Directors, the Management Board of Company set the tone from the top and, when making decisions, proceed from the optimal balance between long-term cost, profitability and risks associated with both making and not making decisions, management encourages subordinates to risk-based behaviour. Each issue on the agenda of meetings of the Company bodies should be accompanied by an analysis of risks and compliance with the established risk appetite.

2) Corporate Governance: The activities of the Company aimed at creating such a control environment that ensures that employees understand that the Policy and all internal regulatory documents are binding. All officers and employees of the Company clearly realize their area of responsibility and authority for risk management and internal control. Risk owners within their competence understand the risks, manage them and duly inform about the risks in accordance with the Company's internal regulatory documents.

3) Decision-making: The internal environment is characterized by open communication and transparency of risk information, this contributes to an open and constructive discussion of the risks and potential opportunities between employees and officers of the Company and allows for joint effective decisions in response to external challenges.

The remuneration system at all levels uses financial and non-financial incentives for Management and employees to formulate their right attitude to risk in the process of making managerial decisions. The decisions made are clearly defined by risk appetite with the developed risk culture.

4) Competence: The organizational structure of the Company is based on the “three lines of defence” model.

- The first line of defence (business functions) is represented by structural subdivisions represented by each employee within his/her competence. When fulfilling their duties, the Company employees (risk owners) directly manage risks and carry out control procedures within their competence.

- The second line of defence is represented by the structural subdivision responsible for organizing risk management activities and the Compliance Service. The second line of defence is responsible for monitoring the effective risk management and internal control practices implementation by structural subdivisions (business functions), compliance with the legislation and internal regulatory documents of the Company, alleged violations of the Code of Ethics and Compliance, internal documents of the Company and / or anti-corruption legislation and other

regulatory requirements applicable to the Company.

- The third line of defence (independent guarantee) is provided by the Internal Audit Service of the Company (hereinafter - IAS), and conducts an independent assessment of effectiveness, helps to improve risk management and internal control, provides support to the Audit Committee and the Board of Directors of the Company. The third line of defence provides them with an independent assessment of the risk management system and internal control efficiency.

- The structural subdivision responsible for organizing risk management activities (risk-subdivision) effectively performs the role of the second line of defence, thereby increasing the confidence of the Management in achieving the goals of the Company. The risk subdivision maintains a course for constant development of the risk culture in the Company, including using adaptation course mechanisms for newly hired employees of the Company, provision of risk documents as part of the introduction of members of the Board of Directors of the Company, mandatory and functional certification, SCRUM meetings etc. The risk subdivision, if necessary, can initiate anonymous risk surveys among employees of the Company.

7.3. Sources of information about the level of risk culture for the Management Board and the Board of Directors of the Company may be the documents on assessing the effectiveness of the risk management and internal control systems in the Company, reports on diagnostics of corporate governance in companies, etc.

7.4. The Company has a Confidential Information Policy, which establishes a procedure for reporting violations of the Code of Ethics and Compliance.

8. RMS organizational structure

8.1. RMS organizational structure in the Company provides vertical and horizontal information flow. The information delivered vertically bottom-upwards provides the Shareholders, the Board of Directors, Management Board of the Company with information on the current activities, the risks accepted in the course of operation, their assessment, control, methods of response and the risk management level.

8.3. The decisions delivered downwards provide informing the Company and its enterprises of the goals, strategies and the tasks set through decision making by the Shareholders, the Board of Directors, and the Management Board of the Company and approval of the documents related to the Company's risk management.

8.4. Horizontal communication means interaction of the Company's structural subdivisions and the subsidiaries, the employees responsible for organization of the risk management activities.

8.5. The RMS structure is represented at several levels with engagement of the following bodies and subdivisions of the Company (Figure 1):

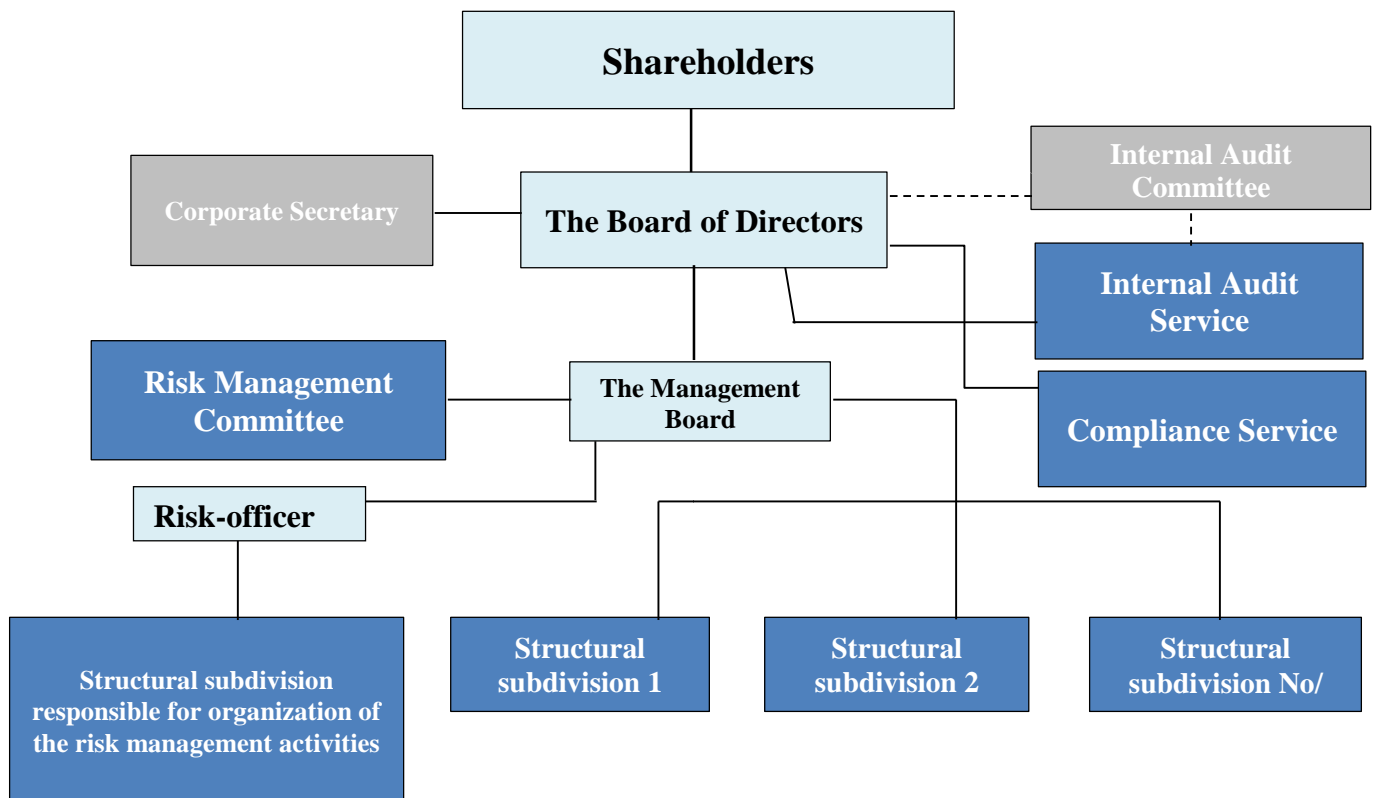


Figure No. 1 RMS organizational structure

9. Functions of RMS Participants

9.1. **The Board of Directors** plays a key role in RMS supervising and performs the following functions in the risk management sphere:

- Approval of the Development strategy of the Company's RMS;
- Approval of Risk Management Policy;
- Approval of other internal documents (policies) in the field of the Company's risk management and risk management structure;
- Approval of the rules and procedures for the Company's risk management;
- Approval of quarterly risk management reports;
- Review the RMS efficiency reports prepared by the Internal Audit Service with holding the annual meeting regarding RMS efficiency assessment;
- Analysis of the external auditors' opinions on the improvement of internal control, risk management and results of IAS audits;
- Approval of the levels of responsibility for risk monitoring and control by approving this Policy;
- Approval of limits for banks that do not fall within the competence of the Company Management Board according to Rules "Setting the limits for banks and making a list of banks in NAC Kazatomprom JSC";
- Approval of the Company's risk appetite at the consolidated level;
- Approval of the KRI;
- Approval of tolerance levels in relation to key risks;
- Approval of the Company's risk register and map;
- Approval of the plan of actions to minimize the risks (under the risk Register of the Company);
- Monitoring the activity of the Committees under the Company's Board of Directors.

9.2. **The Audit Committee** of the Company Board of Directors performs the following functions in the risk management aspects:

- Analyses the reports of the external and internal auditors on the RMS status;
- Analyses efficiency of the instruments of RMS and makes proposals on the related issues;
- Controls over the fulfilment of the recommendations of the Company's external and internal auditors with respect to RMS;
- Holds regular meetings with the Company Management to consider the key risks and control problems and the respective risk management plans of the Company;
- Prior approval of the Company's RMS development strategy;
- Prior approval of the Policy and other internal documents of the Company in the RMS field;
- Prior approval of the risk management procedures of the Company;
- Prior approval of the quarterly risk management reports;
- Prior approval of the RMS efficiency and internal control reports prepared by the Internal Audit Service with holding the annual meeting regarding RMS efficiency assessment;
- Prior review of the external auditors' opinions on the improvement of internal control, risk management and results of IAS audits;
- Prior approval of the KRI;
- Prior approval of tolerance levels relative to key risks;
- Prior approval of the Company's risk register and map;
- Prior approval of the Company's risk appetite at the consolidated level;
- Prior approval of limits for banks that do not fall within the competence of the Company Management Board according to Rules "Setting the limits for banks and making a list of banks in NAC Kazatomprom JSC";

9.3. **The Management Board of the Company** is responsible for organization of an efficient RMS and performs the following functions:

- Implementation and enforcement of the provisions of this Policy and other internal documents related to risk management;
- Quarterly submission of risk management reports to the Board of Directors;
- Review and approval of the quarterly risk management reports on the consolidated basis and taking the measures within its competence;
- Organizing the efficient RMS functioning which allows to identify and assess the potential risks;
- Review the reports on the efficiency of RMS and internal control and submission of the proof of RMS efficiency to the Board of Directors;
- Approval of the response actions and risk management method in the Company and some actions for the Company's group enterprises under regulatory documents approved by the Board of Directors;
- Approval of the risk management documents of the Company that do not fall within the competence of the Board of Directors;
- Approval of limits for the banks of the Company's enterprises and list of the banks where Company's idle cash can be deposited, which falls within the competence of the Company Management Board according to Rule "Setting the limits for banks and making a list of banks in NAC Kazatomprom JSC";
- Improvement of the internal procedures and rules in the risk management sphere;
- Review of quarterly reports on risk management of the management bodies of the Company's enterprises.

9.4. The Company assigns the **Risk-Officer** – an official from the executives supervising the issues related to the Company's risk management, internal control and business interruption on the consolidated and individual basis. The Risk-Officer of the Company shall meet the following requirements:

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- shall be directly subordinated to the chief executive officer (CEO) of the Company;
- shall not coordinate other functions that lead to a conflict of interests.
- shall not be a member of the Internal Audit Committee of the Board of Directors to prevent the conflict of interests.

9.5. **The Risk Management Committee under the Management Board** shall perform the following functions:

- Annual review and approval of RMS plan of actions;
- Review and preliminary approval of drafts of the internal (including Risk Management Policy and Rules) and other risk management documents of the Company;
- Control over the periodic updating and improvement of the approved risk management documents and over the arrangement of systematic training of the executives and employees of the Company on the requirements and aspects of these documents;
 - Coordination of the risk management methods from the list of the risk management methods available in the internal risk management documents, proposed by the structural subdivisions of the Company, based on the results of risk identification, classification and assessment.
 - Consideration and preparation of the proposals according to the results of risk status control and monitoring, Company's compliance with maximum permissible risk limits and observance of the risk management internal documents by the Company's subdivisions;
 - Review of the functional requirements applicable to the automated information system of risk management;
 - Consideration and preparation of the proposals to improve plans of actions in case of adverse impact (including adverse impact on the environment, change of market conditions, force majeure events, etc.)
 - Coordination of interaction between the Company structural subdivisions in the risk management process;
 - Submission of the risk management report to the Management Board of the Company;
 - Review and approval of risk-appetite, tolerance levels in relation to the key risks;
 - Review and approval of limits for the second-tier banks where the idle cash can be deposited (if necessary);
 - Review and approval of the risk holders under the risk register;
 - Review and approval of the Risk Register including the plans of actions to minimize the risk, and the risk map hereto;
 - Review and approval of the KRIs;
 - Development of the proposal for organizing and maintenance of the effective risk management system;
 - Review of the recommendations on the risk management by the external auditors, consultants and internal audit service, analysis of the efficiency of actions taken by the Company's subdivisions to solve the problems detected by external auditors, consultants and internal audit service;
 - Submission of the report on the results of the Committee's activity to the Management Board;

9.6. **The structural subdivision of the Company responsible for organizing the risk management activity** performs the following functions:

- Development of the RMS development strategy;
- Coordination and improvement of RMS process at the Company's enterprises through the management bodies of the Company's enterprises;
 - Ensuring the risk management processes integrated with the other business-processes and development of risk culture in the Company;
 - Annual preparation of RMS plan of actions;
 - Control over the execution of the RMS internal documents by Company's structural subdivisions;
 - Formulation of proposal for the appointment of risk owners and risk coordinators;

- Arrangement and coordination of the process of identification and assessment of the key risks;
- Initiating the development of the plan of actions to minimize the risks by the risk holders (under the risk register) and coordination of activity related to its implementation;
- Formation together with the risk-owners of the Risk register and Risk Maps;
- Review and coordination of the regular risk management reports of the Company's enterprises subject for submission for consideration to the management bodies of the Company's enterprises;
- Preparation and submission of the consolidated risk management reports to the Management Board and Board of Directors on a quarterly basis;
- the periodic RMS assessment of the Company's enterprises within the Corporate Governance Diagnostics Methodology and preparing proposals for improving the level of RMS development at the Company's enterprises;
- Approval of the projects of strategic approach, Company's investment projects in terms of reasonable disclosure and analysis of risk information;
- Development, implementation and updating of internal documents for risk management;
- Informing the Management Board and Board of Directors of the Company on significant deviations in the risk management processes. Informing the Board of Directors of the Company is carried out through the use of an additional communication channel regarding the prompt notification on key risks and other urgent issues through the Corporate Secretary;
- Creation and maintenance of realized risk database, following the external factors which may have significant impact on the risks;
- Methodical and consultation support to employees of structural subdivisions of the Company and its enterprises;
- Development of recommendations to the Company's enterprises based on the results of RMS assessment;
- Interrelation with Company's Internal Audit Service with respect to the development of internal audit plan, data communication, discussion of the audit findings, exchange of knowledge and techniques;
- Making proposals regarding training workshops and trainings on risk management for the Company's employees;
- Arranging and holding meetings, working meetings with the executives of the Company's structural subdivisions on the issues of identification and assessment of identified and potential risks of the Company, and methods of managing these risks;
- Review and analysis of the reports with regard to realized risks of the structural subdivisions of the Company/Company's enterprises;
- Attendance at the meetings of the Risk Management Committee under the Management Board, preparation of minutes of meetings with respect to the decisions taken and notifying the relevant circle of executives and employees of the Company;
- Managing the process of systematic training of the Company's executives and employees in practical risk management aspects at least once every 2 years;
- Formulation of proposals for Risk Management Committee under the Management Board on the value of risk-appetite and tolerance levels relative to key risks;
- conducting a comparative analysis with the experience of leading international and Kazakhstani risk management companies;
- Development of KRI and formation of KRI;
- Submission of the reports on implementation of plans of actions to minimize the risk (under Risk Register) to the Risk Management Committee under the Management Board;
- Monitoring of the current situation with KRI and, preparation of the reports based on this information for the Risk Management Committee under the Management Board of the Company.

9.7. **Executives of Company’s structural subdivisions (risk holders)** play the key role in the risk management process. The risk holders are personally responsible for:

- Timely identification and information of the significant risks in the sphere of their activity,
- Submission of proposals regarding risk management to be included in the plan of actions;
- Execution of the approved plans of actions to minimize the risks and coordination of the actions

of the participants,

- Timely submission of information about all the risks realized to the structural subdivision responsible for organization of the Company’s risk management activity;

The main functions of risk holders in the risk management process are the following:

- Identification and assessment of risks on the annual basis revised as necessary on quarterly basis;
- Timely preparing the risk management reports and their submission to the Company’s structural subdivision responsible for organizing an activity related to the risk management for consolidation;
- Participation in the development of methodological and regulatory documentation and preparation of proposals with regard to the risk management methods and techniques within its competence;
- Development of plans for minimization of the risks with clear indication of main implementation stages and responsible persons on the basis of assessment of efficiency of the current actions for minimizing the risks or when such current actions are not available;
- Timely notifying the risk holders and other stakeholders on the content of plan of actions for minimizing the risks;
- Implementation and control of the approved actions for minimizing the risks;
- Timely response to the realized risks, control of implementation of the relevant plan for the subsequent impact on the risk event and bringing the information to the management of the Company;
- Control of the external/internal factors which may potentially lead to the change of the previous risk assessment results, transfer of the relevant information to the structural subdivision responsible for organizing the risk management activity;
- Submission of the reports on progress and results of implementing the plan of actions for minimizing the risks to the structural subdivision responsible for organizing the risk management activity;
- Facilitation the process of risk culture development in the Company.

10. RMS functioning process

10.1. Risk management is a constant, dynamic, continuous and cyclic process within which the information exchange and communication between RMS participants takes place. The process of RMS functioning consists of the stages as indicated on Figure 2:

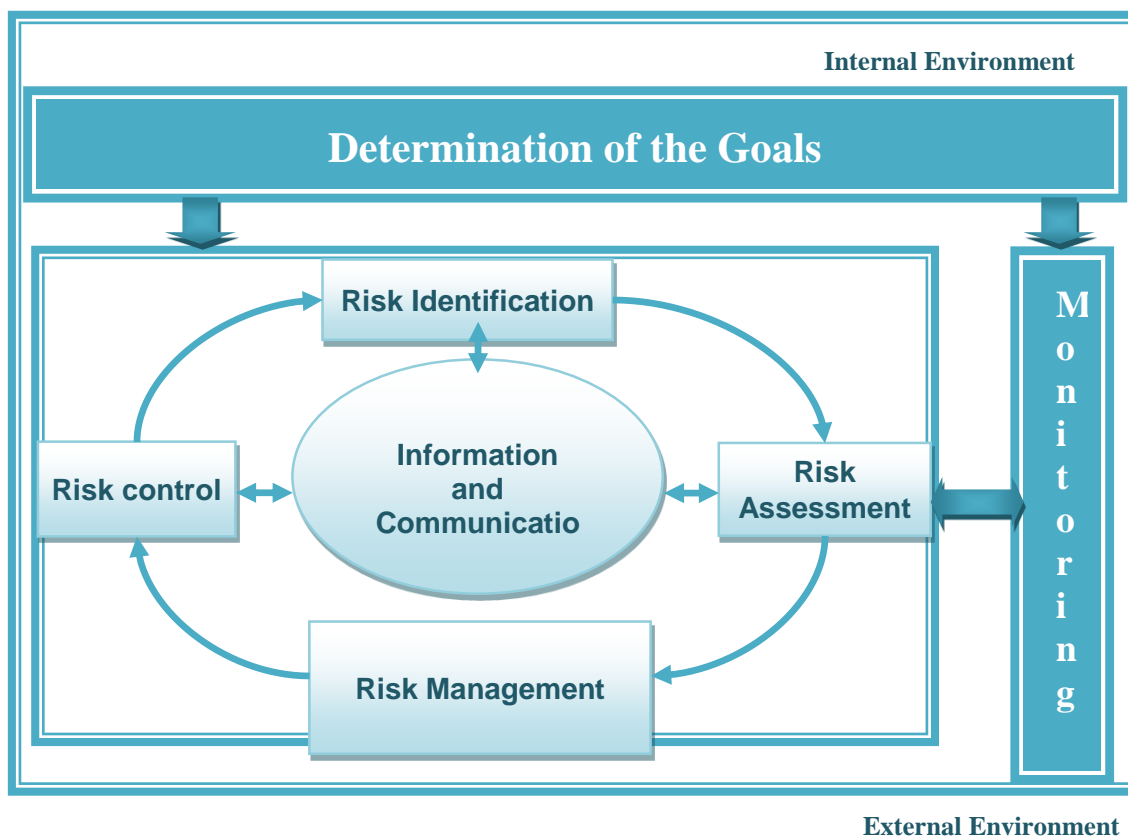


Figure 2. Risk Management Process

10.2. Setting the Company goals is the key element in the risk management system. The goals should be determined before the Company's management begins to identify events that can potentially have an adverse effect on their achievement. The goals are achieved through proper strategic planning of the Company activities in the short, medium and long term. For these purposes the Company's management develops business plans, development plans, strategic directions of development and long-term strategies.

11. Internal and External Environment

11.1. The internal environment determines the general attitude of the Company toward risks, and how its employees consider and respond to the risks. The internal environment is the basis for all other RMS components and includes the philosophy of risk management, risk appetite, control by management bodies, ethical values, competence and responsibility of employees, structure of the Company, its opportunities determined by the human, financial and other resources.

11.2. Company's activity focuses on the creation of an internal environment, which enhances understanding of the risks by employees and increases their responsibility for risk management. The internal environment must support the following principles of the Company's activity:

- Identification and consideration of all forms of risks in the decision making and the support of the comprehensive approach to the risk vision by the Company's management;
- Support the feeling of ownership and responsibility for the risks and risk management at the appropriate levels of management hierarchy (the Company, subdivisions, etc.);
- monitoring the compliance of employees' activity with the internal policies and procedures of the Company;
- informing in due time of the significant risks and shortcoming of the risk management system;
- understanding that the risk management policy and procedures are obligatory;

11.3. The relationship of the Company with the external environment (business structures, social, regulatory, other state and financial bodies) are reflected in the internal environment and affect its formation. The external environment of the Company is complicated in its structure and includes various interconnected aspects of the industry.

12. Determination of risk appetite and levels of tolerance to the Company's key risks

12.1. The Company determines risk appetite, which it is ready to accept for the achievement of its strategic goals (strategic areas of activity). Risk appetite affects the distribution of resources, organizing the processes and formation of infrastructure inside the organization necessary for the effective risk monitoring and response.

12.2. Risk appetite is determined on the consolidated basis by structural subdivision responsible for organizing the risk management activity and is submitted for approval to the Board of Directors.

12.3. For effective monitoring and avoidance of the increased level of risk appetite the Company applies the levels of tolerance to key risks.

12.4. The levels of tolerance to key risks are determined by risk holders on the basis of two main approaches:

- Subjective approach
- Objective approach.

12.5. The enterprises of the Company determine their own risk appetite and levels of tolerance to key risks with mandatory compliance with the main requirements described in the Company's internal risk management documents.

12.6. The process of determining the risk appetite and levels of tolerance to key risks with description of the approaches are regulated by the Instruction "Determination and monitoring of the risk appetites and levels of tolerance to key risks of NAC Kazatomprom JSC".

13. Risk Identification

13.1. Risk identification is the determination of the Company's exposure on a consolidated and individual basis, to the impact of events, the occurrence of which can have a negative impact on the ability to achieve the planned goals and implement the tasks, as well as determination of trend and necessity to improve the risk management process.

13.2. The combination of various methods and instruments are used for risk identification such as risk identification on the basis of the goals and tasks, the industry and the world comparison, workshops and discussions, interviewing, questionnaire surveys, brainstorming SWOT analysis, analysis of reports on the results of audit and other inspections, Near Miss analysis, damage database, etc.

13.3. To classify the risks the Company uses the risks grouping by the following categories:

- Strategic risks;
- Financial risks;
- Legal risks;
- Operational risks;
- Investment risks.

13.4. The identified risks, which the Company deals with in its activities, are filed in the form of a risk register, which also comprises various scenarios of possible realizing the mentioned risks. The process of identifying and creating the risk register is initiated once a year by a structural subdivision of the Company, responsible for organizing the risk management activities. This process is described in details in the Rules of "Identification and assessment of risks and determination of risk management methods of NAC Kazatomprom JSC".

14. Risk Assessment

14.1. The process of risk assessment is conducted to identify the key risks, which may have an adverse effect on the Company's activity and the achievement of the strategic goals and tasks. These risks shall be submitted for consideration of the Board of Directors and it must take a decision with regard to management and control over these risks.

14.2. The risks are assessed annually at all Company's levels. In case of significant changes in the Company's activity and environmental changes, the assessments shall be made more often as it is necessary to provide relevant risk profile of the company.

14.3. Initially, the risk is assessed by risk holders on a qualitative basis, then if calculation is possible the quantitative assessment can be made.

14.4. All identified and assessed risks are shown on the Risk Map (Figure 2. Risk Map).

14.5. The procedure of quantitative and qualitative risk assessment is described in the Rules "Identification and assessment of risks and determination of the risk management methods of NAC Kazatomprom JSC".

14.6. In order to ensure the efficiency of the process and reduce costs for its implementation, the Company should focus on risks that can have the most significant impact on its financial condition and achievement of goals and objectives.

14.7. The risk assessment is determined in accordance with the position of each of the risks on the Risk Map:

- Critical risks - red zone of the risk map – are the risks with the highest priority. These are the risks, which make up 75% of the level of Risk appetite and above;
- Major risks - the orange area of the Risk map - are the second highest priority risks, the damage from the realization of which remains within 50-75% of the Risk appetite level;
- Medium risks - the yellow area of the Risk map – are the third priority risks, the damage from the realization of which remains within 25-50% of the Risk appetite level;
- Low risks - green area of the Risk map – are the risks within 25% of the Risk appetite level.

14.8. In addition to the assessment results, when prioritizing risks, the following criteria can be taken into account: the Company's ability to adapt to and respond to risk, the interdependence of risks, which increases the complexity of managing them, the speed of risk influence on the Company's activities, the duration of the negative effects of risk consequences on the Company, etc.

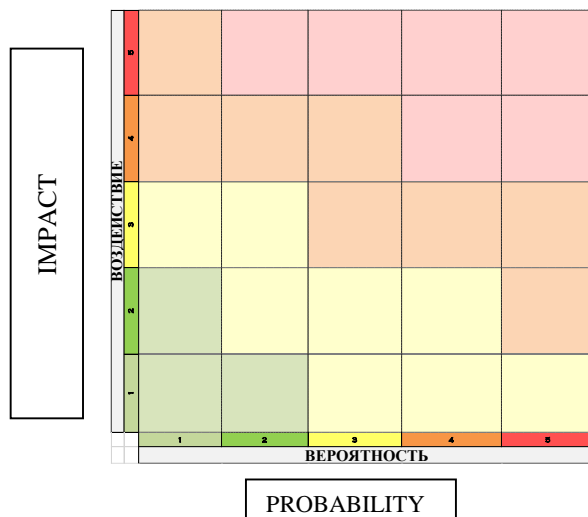


Figure 3. Risks Map

15. Risk Management

15.1. Risk management shall take place in the context of the goals, tasks set before the Company arising from the approved Development Strategy of the Company, development plans and other internal documents. The Company shall, at least once a year, determine risk appetite and form risk register.

15.2. The Company defines the methods of risk response and develops annual action plans for key risk management, which are mandatory for implementation by all structural subdivisions

15.3. Risk holders are responsible for performance of the preventive risk management measures.

15.4. While defining the risk management methods the Company shall consider the main factors influencing its selection:

- Risk appetite;
- Analysis of costs and benefits related to one or another method of risk management.

15.5. In accordance with COSO methodology, the selection of risk response methods and development of action plans for the risk management to ensure applicable level of residual risk includes the following strategies of response:

- Risk reduction;
- Risk financing;
- Risk acceptance;
- Risk aversion.

More detailed information on the methods and action plans for risk management is given in the Rules “Identification, assessment of risks and determination of the risk management methods of NAC Kazatomprom JSC”.

16. Control actions

16.1. Control actions are the policies and procedures, which help to ensure execution of the risk management measures. Control actions are included in the business processes at all the Company’s levels. Control actions include a wide range of measures such as consent, authorization, verification, and approval, analysis of operations, asset security and assignment of responsibilities.

16.2. Responsibility for analysis of business processes and defining of necessity and expediency of making additional control actions are borne by owners of business processes – heads of the Company’s structural subdivisions.

16.3. Control of current risks and execution of risk response measures are carried out in the Company on the basis of regular risk reporting.

16.4. The employees and officials of the Company are entitled to apply confidentially to the Internal Audit Committee/Board of Directors of the Company on the breach or incorrect execution of risk management procedures and internal control or other policies as well as of the cases of fraud, violation of the law of the Republic of Kazakhstan.

16.5. More detailed information on the internal control is presented in the Rules “The Internal Control System of NAC Kazatomprom JSC”.

17. Information Exchange

17.1. The risk management structure in the Company ensures an adequate flow of information both vertically and horizontally. The objectives of the process of regular risk information exchange are as following:

- Assign the personal responsibility for management of one or another significant risks to the risk holders;

- Timely inform the Company's Board of Directors of all risks which subject to management at the respective level of the Company;
- Timely inform the persons executing the risk management measures of their personal responsibility for performance of the respective actions (including the expected results, timing, resources, etc.);
- Ensure efficient information exchange in the course of the Company's cross-functional risk management.

17.2. The Company notifies partners, creditors, external auditors, rating agencies and other stakeholders (including in the annual report) of risk management information providing conformity between the level of detailing of the information disclosed and the nature and scope of the Company's activity.

17.3. There are two types of risk information sources in the Company: reports developed by enterprises and reports developed by the Company. The requirements to the content of risk reports are given in the Annex 1 to this Policy. The dates for report submission are indicated in the Annex 3 to this Policy.

18. Monitoring

18.1. The efficiency of risk management system (including the existing methods of risk management and risk control tools) and if necessary its modification and improvement is monitored in the Company. The monitoring is carried out on a regular basis no less than once a year.

18.2. RMS monitoring is an important part of the whole business process and assesses both availability of such system and implementation of its components. The monitoring is carried out by way of continuous following up the implementation of policies, procedures and actions of the risk management system and ad hoc inspections. The scale and frequency of ad hoc inspections depends on risk assessment and efficiency of continuous monitoring. The RMS defects must be brought to notice of the Board of Directors and the Management Board of the Company.

18.3. Upon approval by the Board of Directors of the action plans for key risk management, the structural subdivision responsible for risk management carries out the control over execution of the actions in compliance with the dates of execution of each action.

18.4. One of the main instruments of risk and risk factors monitoring are the key risk indicators (KRI). KRI allow to identify potential risks and take timely measures to avoid occurrence of risk events or to minimize their impact on the company's activity.

18.5. To increase efficiency of risk monitoring, the Company applies KRI using two approaches:

- KRI determination on the basis of risk factors;
- KRI determination on the basis of preventive risk management actions.

18.6. The detailed description of KRI determination with examples and models are regulated in the Instruction "Determination and monitoring of key risk indicators of NAC Kazatomprom JSC".

19. Integration of risk management process with the processes of strategic planning and operational activity, budgeting and motivation

19.1. The risk management process is based on interaction with the key business processes of the Company.

19.2. Interrelation of risk management process with the process of **strategic planning** includes (but not limited to):

- The process of development of strategic plans shall provide for identification and analysis of the risks which able to have influence on the achievement of the strategic goals set;
- The Company's strategic plans shall provide for a complex of measures aimed at minimization of risks related to implementation of the planned strategic initiatives.

19.3. Interrelation of risk management process with the process of **operational activity** includes the following (but not limited to):

- Action plans for risk management (individual actions) are included in the respective annual work plans of the Company/Company's structural subdivisions;
- Risk holder shall objectively assess the temporary and administrative resources required to implement the Action plans for risk management proposed by him and indicate the assessment received in the respective risk report;
- Necessary temporary and administrative resources shall be given the the employees of structural subdivisions for execution of actions specified in the action plans for risk management;
- Employees of structural subdivisions submit the reports on the risks realized.

19.4. Interrelation of the risk management process with the process of **investment activity** includes the following (but not limited to):

- Initiators of the investment projects (including the projects submitted for consideration of the Credit/Investment Committees of the Company) in the process of review and development of the investment projects shall provide for identification and analysis of the risks, which may impact on implementation and achievement of the goals of the investment project. Complex of measures aimed at minimizing the potential adverse effect on the activities of the Company of the main risks associated with the implementation of the project shall also be provided in accordance with the established consolidated risk appetite of the Company on investment activities;

19.5. Interrelation of the risk management process with the process of **credit activities** (while credit obtaining and granting, financial support and financial guarantees) includes the following (but not limited to):

- Initiators of the process of obtaining/granting the credit (loan raising/granting) shall include the analysis of risks for financial stability of the Company according to internal documentation for debt management and financial stability of the Company/Fund, but not limited to effect analysis for compliance with the norms specified by the Management Board of the Company, external lenders (if any);
- Initiators of the process of granting credit (loan) and financial guarantees to the counterparties shall include analysis of the credit risk in accordance with the Company's internal documents.

19.6. Interrelation of the risk management process with the process of **budgeting**:

- Prior to approval of the actions plan for risk management by the Management Board/Board of Directors of the Company the risk holders must provide for necessary financial resources to implement the proposed action plan for risk management and work at this issue together with the structural subdivision responsible for budgeting;
- The Company's development plan is developed taking into account the risk-based approach.

19.7. Interrelation of the risk management process with the process of **personnel motivation** includes the following (but not limited to):

- Duties of all RMS participants to execute all procedures provided by the system shall be captured in job descriptions, and the heads of structural subdivisions of the Company shall monitor its execution;
- It is recommended to provide for the mechanisms of encouragement designed to motivate the executives and employees of the Company for proper actions within the framework of the risk management system in accordance with due dates and target values.

20. Requirements to confidentiality of risk information

20.1. The decision to allow an access for one or another official of the Company's structural subdivisions to the detailed information regarding description, assessment or Plans of actions for risk management shall be made by risk holders.

20.2. The requirements to confidentiality of risk management information are regulated by the internal documents of the Company and other documents approved by the Resolution of the Government of the Republic of Kazakhstan.

20.3. The list of the Fund's risk management documents and reports related thereto marked as "Restricted" are described in the Risk Management Policy of the Fund.

20.4. External parties obtaining access to risk information marked as "restricted" can obtain an access only after execution of non-disclosure agreement.

21. RMS efficiency criteria

21.1. To provide efficiency of RMS activity a risk coordinator shall be appointed in each structural subdivision of the Company responsible for organizing the work of risk management in its subdivision and cooperation with the structural subdivision being in charge for organizing the risk management activity in the Company at all stages of implementation of RMS procedures. To maintain and improve a risk-culture in the Company, the training is carried out for new employees to be familiarized with the existing RMS and all employees of the Company are familiarized with it on a periodic basis (minimum once a year). Upon completion of the training the employees of structural subdivisions coordinating the RMS-related issues (risk-coordinators) take control testing to prove lessons learned.

21.2. RMS efficiency is supported by the results of independent audits conducted by internal and/or external auditors or independent experts.

20.1. RMS is assessed in accordance with the Methodology for assessing corporate governance effectiveness in legal entities, where more than fifty percent of voting shares are directly or indirectly owned by Samruk-Kazyna JSC.

22. Annexes

22.1. Annex 1 "The structure and content of the risk management report".

22.2. Annex 2 "Risk reporting submission period".

The structure and content of the risk management report*
_____ for _____ 20____
(Company/Enterprises) (Reporting period)

1. Risk Map and Risk Register:
Risk Map and Risk Register for the projected year with changes in risks for the reporting quarter (if any), including information on new risks.
Tolerance Status and KRI for key risks.
Individual identification of critical risks with indication of reasons of their occurrence and Critical Risks Response Action plan.
Implementation status of the Critical Risks Response Action plan for the reporting quarter.
Information on non-fulfilment of the Risks Response Action plan (if any).
Changes for the reporting quarter in the Risk Response Action Plan (if any).
2. Report on compliance with Risk appetite and, if necessary, proposals to review Risk appetite.
3. Reporting on financial risks in accordance with internal regulatory documents on the management of certain types of risks.
4. Information on the risks of investment projects implemented within the state programs, as well as instructions of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.
5. Information on realized risks with the obligatory indication of damage (in quantitative, if possible calculation, and in a qualitative assessment) and the actions taken to respond to these risks with an assessment of the actions effectiveness. This section should also include information on accidents and disasters, industrial accidents.
6. Information on significant deviations from established risk management and internal control processes (if any).
7. Actions taken to improve the CRMS and internal control in accordance with the recommendations of the IAS (if any).
8. Information on the corporate risk reinsurance program implemented in accordance with the internal regulatory document on the organization of insurance coverage.
9. Statement on the effectiveness / inefficiency of risk management and internal control (at least once every three years, taking into account the coverage of control procedures monitoring).

** changes and additions may be made to this list if necessary*

Risk reporting submission period

Reporting submission period to the Company's structural subdivision responsible for organizing risk management activity:

Document	Responsible	Submission period
Risk Management Report	The Company's enterprises	Quarterly until the 30th day of the month following the reporting month
Report on implementation of the preventive actions	The Company's structural subdivisions	Quarterly until the 10th day of the month following the reporting month
Report of the structural subdivision on the risks realized		

Submission period for consolidated reports by the Company's structural subdivision responsible for organizing risk management activity:

Document	Document users	Submission period
Risk Management Report	Risk management committee under the Company's Management Board, the Company's Management Board, the Company's Board of Directors, the Fund	Quarterly, according to the Work of the Company's Board of Directors
Financial Risks Report	The Fund	Reporting date for the Q1 and Q3 +35 calendar days, reporting date for the Q2 and Q4 +45 calendar days