Risk Management Policy

of NAC Kazatomprom JSC

# Purpose

Risk management policy of NAC Kazatomprom JSC (hereinafter - the “Policy”) sets goals and objectives of the risk management system (hereinafter - “RMS”), defines the RMS’ building requirements, organizational structure and functions of RMS participants and describes the main risk management processes in Kazatomprom (hereinafter referred to as the “Company”).

# Scope

* 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 set forth in this Policy.
	2. The Company’s subsidiaries and affiliates are recommended to develop their own risk management policies based on this Policy and approve them in the established manner.

# Content

[1 Purpose 1](#_Toc36712685)

[2 Scope 1](#_Toc36712686)

3 Content………………………………………………………………………………………… 2

[4 Terms, definitions and abbreviations 3](#_Toc36712688)

[5 General provisions 4](#_Toc36712689)

[6 Goals and objectives of the Risk Management System 5](#_Toc36712690)

[7 Main principles of the Risk Management System 5](#_Toc36712691)

[8 Definition of risk culture 6](#_Toc36712692)

[9 Organizational structure of the Risk Management System 7](#_Toc36712693)

[10 Functions of RMS participants 7](#_Toc36712694)

[11 RMS functioning process 12](#_Toc36712695)

[12 Internal and external environment 13](#_Toc36712696)

[13 Determination of risk appetite and levels of tolerance to the Company’s key risks 14](#_Toc36712697)

[14 Risk identification 14](#_Toc36712698)

[15 Risk assessment 15](#_Toc36712699)

[16 Risk management 15](#_Toc36712700)

[17 Control actions 16](#_Toc36712701)

[18 Information exchange 16](#_Toc36712702)

[19 Monitoring 17](#_Toc36712703)

[20 Interrelation of risk management process with the processes of strategic planning and operational activity, budgeting and motivation 17](#_Toc36712704)

[21 Requirements to confidentiality of risk information 18](#_Toc36712705)

[22 RMS efficiency criteria 18](#_Toc36712706)

23 Appendices …………………………………………………………………………………19

23.1 Appendix 1. The structure and content of the risk management report.……………………20

23.2 Appendix 2. Terms for submission of risk management reports...........……………………21

# Terms, definitions and abbreviations

* 1. The following terms and definitions are used in this Policy:
1. СOSO – Committee of Sponsoring Organizations of the Treadway Commission.
2. ISO – *International Organization for Standardization, ISO* – international organization issuing standards.
3. Shareholder is a person that owns shares of the Company.
4. Risk holder is a person (employee/structural subdivision/collegial body) with risk management powers and responsibilities that is responsible for all aspects of managing a definite risk, in particular, for decreasing the probability of risk occurrence and/or degreasing the possible impact of risk occurrence consequences on the Company.
5. Business process holder is the head of the structural subdivision responsible for the implementation of the process and the achievement of the desired result.
6. Risk identification is the process of finding, identifying and describing risk elements. Risk elements may include sources of risk or hazard, factors, events, consequences and potential likelihood.
7. Investment-project risk is an expected decline of outcome indicators of the project efficiency (projects portfolio) resulting under the influence of the internal and external factors.
8. Risk map is a graphic representation of the Company’s risks depending on the degree of their potential impact and probability of occurrence. Note: a risk tolerance line is drawn on the map in such a way that some areas fall above the line.
9. Qualitative assessment is a determination of the degree of risk impact on the Company’s activity according to internal criteria and risk probability based on the expert assessment.
10. Risk classifier is a list of standard risk categories to be taken into account in identifying and managing risks. Note: this is an example of the main areas where the Company’s risks can occur. It should be noted that actually identified risks may differ significantly from those indicated in the classifier. The risk classifier is not exhaustive and cannot be a substitute for the risk identification process.
11. Key risk indicator (KRI) is an early indicator that represent early signals of changes in risk factors or exposure to risk in different areas of activities.
12. **Key risks of the Company** are risks that, according to the results of the assessment, are located above the tolerance line on the Company's risk map and risks from other areas, which, in the opinion of the management/risk holder/risk manager, may have the most negative impact on the Company's achievement of its short-term and long-term goals, or financial stability.
13. **Quantification** is a mathematical forecast and calculation of the probability of the realization of risks, as well as the potential material damage of the risk.
14. **Compliance risk** is the risk of losses due to non-compliance by the Company and its employees with the requirements of applicable laws, regulations, rules and standards of supervisory authorities, industry associations and self-regulatory organizations, codes of conduct, requirements of stock exchanges, other regulatory internal rules and procedures of the Company.
15. **Control actions** are the policies and procedures, which help to ensure execution of the risk management measures.
16. **Limit per bank** - the amount of credit risk per counterparty bank, taking into account the results of the analysis of its financial condition and the influence of risk factors.
17. **Operational risk** - the risk of losses, accidents at work as a result of shortcomings or errors in the implementation of internal processes made by employees, inadequate and insufficient internal processes, the functioning of information systems and technologies, industrial safety, as well as due to external events, including legal risk, but excluding reputational and strategic ones.
18. Policy is an internal document approved by the Board of Directors of the Company that defines the basic principles and standards that ensure the effective functioning of the Company and the compliance of its activities with the strategy and risk appetite. Note: As part of the Policy, the Board of Directors of the Company ensures the availability of relevant internal documents describing individual procedures, processes, instructions.
19. **Preventive measures** are the current actions of risk holders/action holders that are carried out before the risk materializes in order to promptly influence the causes of the risk realization.
20. **Reactive measures** are the planned actions of risk holders/action holders that will be carried out after the risk realization, in order to promptly respond and reduce the negative consequences as a result of the risk realization.
21. **Risk register** is a structured list of risks that the Company may face in its activities, containing the criteria and causes of risks, the likelihood of their occurrence, impact (damage).
22. **Risk** is the likelihood that expected or unforeseen events (or a combination of circumstances) will have a significant negative impact on the achievement by the Company of its long-term and short-term goals and its financial stability.

Notes:

1 The term is usually used only when negative and/or positive consequences are possible.

2 Objectives can have different dimensions (e.g. financial, health and safety and environmental) and can be applied at different levels (e.g. strategic, organizational, project, and production and process levels).

1. **Risk appetite** is the level (value) of risk that the Company considers acceptable for itself, is ready to accept or eliminate in the process of implementing the strategy.
2. **Risk Manager** is an employee of the Company's structural subdivision responsible for organizing risk management activities.
3. **Risk coordinator** is an employee of the Company's structural subdivision whose duties include organizing risk management activities in his/her structural subdivision.
4. **Risk Officer** is an official from among the Company's management who oversees issues related to the Company's risk management.
5. **Risk Management System (RMS)** is a set of interrelated components established by the Policy, which provides a mechanism for the interaction of internal procedures, processes, policies of structural subdivisions developed and regulated by the Company in order to timely identify, measure, control and monitor the risks of the Company, as well as minimize them to ensure its financial stability and stable operation within the limits of the level of risk acceptable to shareholders (risk appetite).
6. **Strategic risk** is a risk of losses due to changes or errors (shortcomings) in the definition and implementation of an activity and development strategy, changes in the political environment, regional conditions, industry decline, and other external factors of a systemic nature.
7. **The levels of tolerance (risk tolerance)** are the acceptable levels of indicators of exposure to risk or risk appetite (on an aggregate basis). The level of tolerance allows for effective monitoring and prevention of exceeding the level of risk appetite.
8. **Financial risk** is the risk associated with the capital structure and the decline in financial stability. Financial risks include market risks (fluctuations in interest and foreign exchange rates, fluctuations in prices for natural resources), liquidity risks, and credit risks (for corporate counterparties, banks, financial institutions, countries, etc.).
	1. The following abbreviations are used in this Policy.
9. **Company** means National Atomic Company Kazatomprom Joint Stock Company.
10. **Fund** means Samruk-Kazyna JSC;

# General provisions

* 1. This Policy has been developed in accordance with the Policy of Samruk-Kazyna JSC on risk management and internal control and other best practices in the field of risk management, COSO recommendations and ISO standards.
	2. The mission of this Policy is to maintain a risk management system that allows the Company to effectively manage and allocate resources in priority areas in order to ensure an acceptable level of risks for the Company and obtain the greatest return on such investments by identifying, assessing, managing and monitoring risks. Officials and employees of the Company in the performance of their duties and the implementation of the tasks set must be guided by the Policy.
	3. Risk management on a consolidated basis is carried out by implementing the RMS at all enterprises of the Company.
	4. The Company provides methodological and consulting support, as well as coordinates activities for the development and improvement of the RMS during the implementation of the RMS at the Company's enterprises.
	5. Regulatory documents in the field of RMS are reviewed (including this Policy) as necessary (at least once a year) in order to ensure their compliance with the goals, scope and specifics of the Company's activities, take into account best risk management practices and accumulated experience, and also take into account new regulatory requirements, experience and risk management standards.
	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 field of risk management are available to all employees and officials of the Company within their official duties and access rights. Changes in the RMS are communicated to all employees and officials of the Company by e-mail.

# Goals and objectives of the Risk Management System

* 1. The main objective of the RMS is to increase the effectiveness of risk, threat and opportunity management, which should contribute to the process of increasing the capitalization of the Company. In accordance with the Development Strategy , the RMS sets the following goals:
	+ protecting the interests of the Company's shareholders;
	+ ensuring the strategic and operational stability of the Company;
	+ prevention and/or reduction of losses in the Company in the event of unfavourable risks for it;
	+ development and application of uniform and consistent approaches to identifying, assessing and managing the risks of the Company, improving the procedures for exchanging information about risks vertically (management) and horizontally (experience exchange).
	1. The main objectives of the RMS are:
	+ Prevent the occurrence of events that threaten the achievement of strategic and operational goals, reduce their impact, if they occur, to an acceptable level;
	+ Improve the 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 risk management process which is a part of the overall process of ensuring effective internal monitoring environment;
	+ Provide reasonable guarantees to stakeholders that the Company carries out effective risk management.

# Main principles of the Risk Management System

The Company defines the following main principles of risk management:

* + **Integrity** – considering the elements of the aggregate risk of the Company and its enterprises in terms of RMS;
	+ **Openness** – prohibition to consider RMS as an autonomous or isolated system;
	+ **Structured** – the integrated risk management system has a well-defined structure;
	+ **Information 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.

# Definition of risk culture

* 1. The culture of risk management (risk culture) is the basis of 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.

Risk culture is a part of the Company's corporate culture. The level of risk culture determines how risks are identified, assessed and managed from strategy development to strategy implementation and performance monitoring.

* 1. Risk culture is based on four principles:

1) Tone at the highest level: The Board of Directors, the Management Board and the management of the Company set the tone from above and when making decisions they proceed from the optimal balance between long-term cost, profitability and risks associated with both making and not making decisions, management encourages risk-oriented behaviour among subordinates. Each issue on the agenda of meetings of the Company's bodies must be accompanied by an analysis of the risks of decision-making and compliance with the established risk appetite.

2) Corporate governance: The Company's activities are aimed at creating control environment ensuring that employees understand that the Policy and all internal documents are binding. All officers and employees of the Company are clearly aware of their area of ​​responsibility and authority for risk management and internal control. The risk holders, within their competence, understand the risks, manage them and properly inform about the risks in accordance with the Company's internal regulations.

3) Decision making: The internal environment is characterized by open communications and transparency of information about risks, which contributes to an open and constructive discussion of associated risks and potential opportunities between employees and officials of the Company and allows jointly making effective decisions in response to external challenges.

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

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

* The first line (business functions, risk holders and business process holders) is represented by structural subdivisions represented by each employee within their competence. The Company's employees, in the performance of their duties, directly manage risks and perform control procedures within their competence. The first line operates within the approved levels of risk appetite and operates within the framework of accepted risk management policies.
* The second line is represented by the structural subdivision responsible for organizing risk management activities and the Compliance Service. The second line is responsible for monitoring the implementation by structural subdivisions (business functions) of effective risk management and internal control practices, compliance with the law and internal regulatory documents of the Company, alleged violations of the Code of Ethics and Compliance of NAC Kazatomprom JSC, internal documents of the Company and / or legislation on anti-corruption issues and other regulatory requirements applicable to the Company.
* The third line (an independent guarantee) is represented by the Internal Audit Service of the Company (hereinafter referred to as the “IAS”), conducts an independent assessment of the effectiveness and promotes the improvement of risk management and internal control, provides support to the Audit Committee and the Board of Directors of the Company, provides them with an independent assessment of the effectiveness of the risk management and internal control system.
	1. The sources of information on the level of risk culture for the Management Board and the Board of Directors of the Company may be documents on the assessment of the effectiveness of the risk management and internal control system in the Company, reports on the diagnostics of corporate governance in companies, etc.
	2. The Company has a Confidential Informing Policy that establishes the procedure for reporting violations of the Code of Ethics and Compliance.

# Organizational structure of the Risk Management System

* 1. The RMS organizational structure in the Company provides vertical and horizontal information flow.
	2. The information delivered vertically bottom-upwards provides the Shareholders, the Board of Directors, the Management Board of the Company with the information on the current activities, the risks accepted in the course of operation, their assessment, control, methods of response and the risk management level.
	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 Management Board of the Company and approval of the documents related to the Company’s risk management.
	4. Horizontal transfer of information means interaction of the Company’s structural subdivisions and its enterprises, the employees in charge of organizing the risk management activity.
	5. The Company's RMS structure is represented at several levels with engagement of the following bodies and subdivisions of the Company (Figure 1):

**Compliance Service**

**Risk Officer**

**Audit Committee**

**Internal Audit Service**

**Corporate Secretary**

**Shareholders**

**The Board of Directors**

**The Management Board**

**Risk Management Committee**

**Structural subdivision responsible for organizing risk management activities**

**Structural Subdivision 1**

**Structural Subdivision 2**

**Structural Subdivision N**

**Figure 1: Organizational structure of the Risk Management System**

# Functions of RMS participants

* 1. **The Company's Board of Directors** plays a key role in monitoring the RMS supervising and performs the following risk management functions:
	+ approval of the Company's Risk Management Policy;
	+ within the framework of the Policy, ensuring the availability of relevant internal documents describing individual procedures, processes, instructions;
	+ determination of the forms and terms for reporting on risk management;
	+ approval of the annual risk management report;
	+ consideration of reports on the effectiveness of the risk management and internal control system prepared by the Internal Audit Service of the Company;
	+ analysis of the conclusions of external auditors on improving internal control and risk management and the results of audits of the Internal Audit Service;
	+ approval of the levels of responsibility for monitoring and controlling the risks of the Company by approving this Policy;
	+ approval of limits for banks that do not fall within the competence of the Management Board of the Company in accordance with the Rules “Setting Limits for Banks in NAC Kazatomprom JSC”;
	+ approval of the Company's risk appetite at the consolidated level;
	+ approval of tolerance levels for key risks;
	+ approval of the Company’s Risk Register and Risk Map;
	+ approval of an action plan to minimize risks (within the framework of the Company's Risk Register);
	+ monitoring of risk management activities through the Audit Committee under the Board of Directors of the Company.
	1. **The Audit Committee** of the Board of Directors of the Company performs the following functions on the risk management issues:
* analyzes the reports of external and internal auditors on the state of the risk management system;
* analyzes the effectiveness of the means of the Company's risk management system, and also makes proposals on these related issues;
* exercises control over the implementation of the recommendations of the internal and external auditors of the Company in relation to the risk management system;
* holds regular meetings with the management of the Company to review key risks and control issues and the relevant plans of the Company in risk management;
* preliminarily approves the Policy and other internal documents in the field of risk management of the Company;
* preliminarily approves the annual risk management report;
* approves quarterly risk management reports;
* preliminarily approve reports on the effectiveness of the risk management and internal control system prepared by the Internal Audit Service of the Company;
	+ preliminary considers the conclusions of external auditors on improving internal control and risk management and the results of audits of the Internal Audit Service;
* pre-approves tolerance levels for key risks;
* preliminarily approves the Company's Risk Map and Risk Register as part of the consideration of management reporting on risk management;
* preliminarily approves the risk appetite of the Company at the consolidated level;
	+ preliminarily approves limits on banks that do not fall within the competence of the Management Board of the Company in accordance with the Rules “Setting Limits on Banks in NAC Kazatomprom JSC”.
	1. **The Management Board** of the Company is responsible for the organization of effective RMS and performs the following functions:
	+ implementation and enforcement of the provisions of this Policy and other internal documents on risk management;
	+ within the framework of the Policy and for the purpose of its proper implementation, develops and approves the relevant internal documents describing individual procedures, processes, instructions for risk management;
	+ submission for consideration and approval by the Board of Directors, the Audit Committee of reports on risk management in accordance with the procedure determined by the Board of Directors;
	+ consideration and preliminary approval of reports on the Company's risk management on a consolidated basis and taking appropriate measures within its competence;
	+ organization of the functioning of an effective RMS, which makes it possible to identify and assess the risks of the Company;
	+ reviewing reports on the effectiveness of the risk management and internal control system and providing the Board of Directors with confirmation of the effectiveness of the RMS;
	+ approval of response measures and methods for managing risks in the Company and certain measures for a group of enterprises of the Company within the framework of regulatory documents approved by the Board of Directors;
	+ approval of documents on risk management of the Company that do not fall within the competence of the Board of Directors of the Company;
	+ approval of limits on banks for the enterprises of the Company, which are referred to the competence of the Management Board of the Company in accordance with the Rules “Setting Limits on Banks in NAC Kazatomprom JSC”;
	+ improvement of internal procedures and regulations in the field of risk management.
	1. The Company appoints a **Risk Officer** of the Company - an official from among the managers who oversees issues related to risk management, internal control, business continuity management of the Company on a consolidated and separate basis. The Risk Officer of the Company must meet the following requirements:
	+ must report directly to the CEO of the Company;
	+ should not combine other functions that lead to a conflict of interest;
	+ in order to avoid a conflict of interest, should not be a member of the Audit Committee of the Board of Directors of the Company.
	1. **The Risk Management Committee under the Management Board of the Company** performs the following functions:
	+ consideration and preliminary approval of draft internal and other documents of the Company on risk management (including the Risk Management Policy of NAC Kazatomprom JSC);
	+ control over the periodic updating and improvement of the approved risk management documents, as well as the organization of systematic training of the Company's managers and employees on the requirements and aspects of these documents;
	+ coordination of the risk management methods proposed by structural subdivisions, based on the results of identification, classification and assessment of risks, from among the list of risk management methods existing in the internal documents on risk management;
	+ consideration and preparation of proposals based on the results of control and monitoring of the state of risks, compliance by the Company with the maximum allowable risk limits and execution by the Company's subdivisions of internal documents on risk management;
	+ consideration of the functional requirements for an automated information system for risk management;
	+ consideration and preparation of proposals for improving action plans in the event of adverse impacts (including on the environment, changes in market conditions, force majeure, etc.);
	+ coordination of interaction between structural subdivisions in the process of risk management;
	+ submission to the Management Board of the Company of a report on risk management;
	+ preliminary consideration and approval of risk appetite, tolerance levels in relation to key risks;
	+ review and approval of risk holders within the risk register;
	+ preliminary review and approval of the risk register, including action plans to minimize risks and risk maps to it;
	+ consideration and approval of key risk indicators;
	+ preparation of proposals for organizing and maintaining an effective risk management system;
	+ reviewing the recommendations of external auditors, consultants and the internal audit service on risk management, reviewing the effectiveness of measures taken by the Company's subdivisions to address problems identified by external auditors, consultants and the internal audit service;
	+ other functions in accordance with the Regulations on the Risk Management Committee under the Management Board of the Company.
	1. **The structural subdivision of the Company responsible for organizing risk management activities** performs the following functions:
	+ coordination and improvement of the risk management process at the Company's enterprises through the management bodies of the Company's enterprises;
	+ ensuring the integration of risk management into other business processes and the development of a risk culture in the Company;
	+ control over the execution by structural subdivisions of the RMS internal documents;
	+ formation of proposals for the appointment of risk holders and risk coordinators;
	+ organizing and coordinating the process of identifying and assessing key risks;
	+ initiating the development of an action plan to minimize risks by risk holders (within the Risk Register) and coordinating work on its implementation;
	+ Forming the Risk Register and Risk Map of the Company together with the risk holders;
	+ consideration and approval of regular risk management reports of the Company's enterprises submitted for consideration by the management bodies of the Company's enterprises;
	+ formation and submission of consolidated risk management reports to the Management Board and the Board of Directors of the Company in accordance with the procedure determined by the Board of Directors;
	+ conducting a periodic assessment of the risk management and internal control systems of the Company's enterprises within the framework of the Corporate Governance Diagnostics Methodology and preparing proposals for improving the level of the RMS development at the Company's enterprises;
	+ coordination of projects of a strategic orientation, investment projects of the Company in terms of the sufficiency of disclosure and analysis of information on risks;
	+ development, implementation and improvement (updating) of the Company's internal risk management documents;
	+ informing the Management Board and the Board of Directors of the Company about significant deviations in the risk management processes; Informing the Board of Directors of the Company is carried out by using an additional communication channel in terms of prompt delivery of information on key risks and other urgent issues through the Corporate Secretary;
	+ creating and maintaining a realized risks database, tracking external factors that may have a significant impact on risks;
	+ providing methodological and consulting support to employees of the Company's structural subdivisions/enterprises of the Company;
	+ development of recommendations for the Company's enterprises based on the results of the RMS analysis;
	+ interaction with the Internal Audit Service of the Company in terms of developing an internal audit plan, exchanging information, discussing the results of audits, exchanging knowledge and methodologies;
	+ putting forward proposals in terms of conducting workshops and trainings on risk management for the Company's employees;
	+ organization and holding of meetings, workshops with the heads of the structural subdivisions on the identification and assessment of identified and potential risks of the Company, as well as methods of managing these risks;
	+ review and analysis of reports on realized risks of the Company's structural subdivisions/enterprises of the Company;
	+ participation in meetings of the Risk Management Committee under the Management Board of the Company;
	+ organizing the process of systematic training of managers and employees of the Company in practical aspects of risk management at least 1 time in 2 years;
	+ forming proposals for the Risk Management Committee under the Management Board of the Company regarding the value of risk appetite and tolerance levels for key risks;
	+ conducting a comparative analysis with the experience of leading international and Kazakhstan risk management companies;
	+ development of key risk indicators (together with the risk owner) and forming a panel of key risk indicators;
	+ reporting to the Risk Management Committee under the Management Board of the Company on the implementation of the Risk Mitigation Action Plans (within the Risk Register);
	+ monitoring the current status of key risk indicators, and on the basis of this information, the formation of reports to the Risk Management Committee under the Management Board of the Company.

The structural subdivision responsible for organizing risk management activities (risk subdivision) effectively performs the role of the second line, thereby increasing the management's confidence in achieving the Company's goals. The risk subdivision supports the course for the constant development of the risk culture in the Company, including using the mechanisms of the adaptation course for newly hired employees of the Company, the provision of documents on risks as part of the induction of members of the Board of Directors of the Company, mandatory and functional certification, SCRUM meetings and etc. If necessary, the risk subdivision may initiate anonymous risk surveys among the Company's employees.

* 1. **The heads of the Company's structural subdivisions (risks holders, business process holders)** play a key role in the risk management process. Risk and business process holders are personally responsible for:
* timely identification and reporting of significant risks in the field of their activities and business processes,
* submission of risk management proposals for inclusion in the action plan,
* implementation of approved action plans to minimize risks and coordination of actions of participants in the activities,
* timely provision of information on all realized risks to the structural subdivision responsible for organizing the Company's risk management activities.

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

* + identification and assessment of risks within business processes on an ongoing basis;
	+ identification and assessment of risks on an annual basis with revision (if necessary, on a quarterly basis as part of the management of the consolidated risk register;
	+ timely generation of risk management reports and their submission to the structural subdivision responsible for organizing risk management activities for consolidation;
	+ participation in the development of methodological and regulatory documentation and forming proposals on risk management methods within their competencies;
	+ development of specialized methodological and regulatory documentation and forming proposals on methods of managing risks owned by them;
	+ development of risk mitigation plans with a clear indication of the main stages of their implementation and responsible persons based on an assessment of the effectiveness of current risk mitigation measures or in the absence of current measures;
	+ timely bringing the content of action plans to minimize risks to the attention of stakeholders and performers;
	+ implementation of approved risk mitigation measures, control over their implementation;
	+ timely response to realized risks, management of the process of implementation of the relevant plan for the subsequent impact on the risk event and bringing information to the management of the Company;
	+ control over external / internal factors that could potentially lead to a change in the previous results of risk assessment, transfer of relevant information to the structural subdivision responsible for organizing risk management activities;
	+ reporting on the progress and results of the implementation of the action plan to minimize risks to the structural subdivision responsible for organizing risk management activities
	+ participation in the process of risk culture development in the Company.

In order to organize the work of the RMS in each structural subdivision, a risk coordinator is appointed, whose duties include organizing risk management work in its structural subdivision and cooperating with the structural subdivision responsible for organizing risk management activities in the Company at all stages of implementing the RMS procedures. To maintain and improve the risk culture in the Company, training is conducted to familiarize new employees and periodically familiarize all employees of the Company (at least on an annual basis) with the current RMS of the Company. Upon completion of training, employees of structural subdivisions coordinating the RMS issues (risk coordinators) pass a control test to confirm their knowledge.

#

# RMS functioning process

* 1. Risk management is a non-linear multidirectional cyclical process in which all elements influence each other. The process is permanent, dynamic, continuous, within the framework of which there is an exchange of information and communication between the participants of the RMS. The RMS functioning process consists of stages according to Figure 2:

**External environment**

**Risk identification**

**Risk control**

**Risk Management**

**Risk assessment**

**Setting goals**

**Internal environment**

**Moni**

**t**

**o**

**r**

**i**

**n**

**g**

**Figure 2: Risk Management Process**

* 1. There is a direct relationship between the Company's goals and the elements of the risk management process. There are four main categories of goals: strategic, operational, reporting, compliance.
	2. Goals must be defined before the moment when the Company's management begins to identify events and risks that could potentially have a negative impact on their achievement. Achievement of the goals is carried out by proper planning of the Company's activities for the short, medium and long term and at all levels of the Company's management (consolidated, by business processes, organizational subdivisions and other levels).

# Internal and external environment

* 1. The internal environment determines the general attitude of the Company to risks, and how its employees consider and react to risks. The internal environment is the basis for all other components of the RMS, includes the philosophy of risk management, risk culture, risk appetite, control by management bodies, ethical values, competence and responsibility of employees, the structure of the Company, its capabilities, determined by human, financial and other resources.
	2. The Company's activities are aimed at creating an internal environment that increases the understanding of risks by employees and increases their responsibility for risk management. The internal environment must support the following principles of the Company's activities:
	+ identification and consideration of all forms of risks when making decisions, as well as support for an integrated approach to the vision of risks by the Company's management;
	+ support for a sense of ownership and responsibility for risks and risk management at the appropriate levels of the management hierarchy (Company, structural subdivisions, etc.);
	+ tracking the compliance of employees' activities with the Company's internal policies and procedures;
	+ timely informing about significant risks and shortcomings of the risk management system;
	+ understanding that risk management policies and procedures are mandatory.
	1. The relationship of the Company with the external environment (business structures, social, regulatory, other state and financial bodies) is reflected in the internal environment and influence its formation. The external environment of the Company is complex in its structure and includes various interrelated aspects of the industry.

#

# Determination of risk appetite and levels of tolerance to the Company’s key risks

* 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.
	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.
	3. For effective monitoring and avoidance of the increased level of risk appetite the Company applies the levels of tolerance to key risks.
	4. The levels of tolerance to key risks are determined by risk holders on the basis of two main approaches:
		+ Subjective approach
		+ Objective approach.
	5. 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”.

# Risk identification

* 1. To identify risks, a combination of various methods and tools is used, such as risk identification based on goals and objectives, industry and international comparisons, seminars and discussions, interviews, questionnaires, SWOT analysis, brainstorming, analysis of reports based on the results of audit and other inspections, Near Miss analysis, databases of occurred losses, etc.
	2. To classify the risks the Company uses the risks grouping by the following categories:
		+ Strategic risks;
		+ Financial risks;
		+ Compliance risks;
		+ Operational risks;
		+ Investment-project risks.
	3. The identified risks faced by the Company in its activities are systematized in the form of a consolidated risk register and a risk map. The risk register is kept up to date and reviewed regularly as part of risk monitoring and forming the risk management reporting. In order to manage risks more effectively, risk holders, if necessary, maintain specialized non-consolidated risk registers in accordance with industry standards (industrial safety risks, environmental risks, information security risks, IT risks, anti-corruption risks, etc.). The process of working with risk registers is coordinated by the structural subdivision responsible for organizing risk management activities, which is described in more detail in the Rules “Identification and Assessment of Risks and Determination of Risk Management Methods of NAC Kazatomprom JSC”.

#

# Risk assessment

* 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.
	2. Risk assessment is carried out at all levels of the Company on a regular basis as part of the risk monitoring process and forming the risk management reporting. As necessary, in case of significant changes in the Company's activities or changes in the environment, a more frequent assessment should be carried out, which is necessary to ensure the Company's current risk profile.
	3. Initially, risk assessment by risk holders is carried out on a qualitative basis, then, if calculation is possible, a quantitative assessment can be carried out.
	4. All identified and assessed risks are reflected in the risk map (Figure 3: Risk Map).
	5. The procedure for conducting a qualitative and quantitative risk assessment is described in the Rules “Identification and assessment of risks and determination of risk management methods of NAC Kazatomprom JSC”.
	6. To ensure the efficiency of the process and reduce the costs of its implementation, the Company must focus on the risks that may have the most significant impact on its financial condition and the achievement of goals and objectives.
	7. The risk assessment is set according to the position of each of the risks on the Risk Map.
	8. In addition to the results of the assessment, when prioritizing risks, the following criteria may be taken into account: the Company's ability to adapt to the risk and respond to it, the interdependence of risks, as a result of which the complexity of their management increases, the speed of the impact of the risk on the Company's activities, the duration of the negative impact of the risk consequences on the Company, etc.



**Figure 3: Risk Map**

# Risk Management

* 1. Risk management shall take place in the context of the goals and tasks set before the Company arising from the approved Development Strategy of the Company, development plans and other internal documents. The Company must determine the risk appetite at least once a year and keep the risk register up to date.
	2. The Company determines methods for responding to risks and develops action plans for managing key risks, which are mandatory for all structural subdivisions.
	3. Risk holders are responsible for the implementation of risk management measures.
	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.
	1. In accordance with COSO and ISO methodologies, 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 or increase;
		+ Risk transfer or sharing;
		+ Risk aversion.

Risk treatment can create new risks or modify existing risks. Management includes a process, policy, equipment, method, or other activity that modifies risk. Management cannot always influence the intended and assumed modifiable effect.

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”.

# Control actions

* 1. Control actions are included in business processes at all levels of the Company within the framework of the internal control system. Control actions include a wide range of measures such as consent, authorization, verification, approval, analysis of operations, asset security and assignment of responsibilities
	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 structural subdivisions.
	3. Control of current risks and execution of risk response measures are carried out in the Company on the basis of regular risk and internal control reporting.
	4. The employees and officials of the Company are entitled to apply confidentially to the 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.
	5. More detailed information on the internal control is presented in Internal Control Policy of NAC Kazatomprom JSC.

# Information Exchange

* 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.
	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.
	3. The Company has two types of sources of information on risks: reporting generated by enterprises and reporting generated by the Company. The requirements for the content of the risk report are presented in Appendix 1 to this Policy. The deadlines for submission of reports are presented in Appendix 2 to this Policy.

# Monitoring

* 1. The Company monitors the risk management system (including existing risk management methods and controls) and, if necessary, modifies and improves it. The monitoring is carried out on a regular basis no less than once a year
	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.
	3. The structural subdivision responsible for risk management exercises control over the execution of risk management measures in accordance with the deadlines for the implementation of each measure within the framework of management reporting on risk management.
	4. Key Risk Indicators (KRI) are one of the tools for monitoring risks and risk factors. 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.
	5. 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”

# Interrelation of risk management process with the processes of strategic planning and operational activity, budgeting and motivation

* 1. The risk management process is based on integration of its components into the key business processes of the Company.
	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.
	1. Interrelation of risk management process with the process of **operational activity** includes the following (but not limited to):
	+ action plans for risk management (separate measures) are included in the respective annual work plans of the Company/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 employees of structural subdivisions for execution of actions specified in the action plans for risk management;
	+ employees of structural subdivisions submit a report on realized risks.
	1. The relationship of the risk management process with the process of **investment and project activities** includes the following (but not limited to):
* project initiators, including investment projects, in the process of reviewing and developing projects should provide for the identification and analysis of risks that can affect the implementation and achievement of the project's goals. A set of measures should also be provided for minimizing the potential adverse effect of the main risks associated with the implementation of the project on the Company's activities in accordance with the Company's established consolidated risk appetite for investment activities. Project risk management processes are regulated in more detail in the relevant standards for the Company's project and investment activities.
	1. 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.
	1. 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.
	1. 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 shall monitor their 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.

# Requirements to confidentiality of risk information

* 1. The decision to allow an access for one or another official of the structural subdivision to the detailed information regarding description, assessment or Plans of actions for risk management shall be made by risk holders.
	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.
	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.
	4. External parties gaining access to information on risks classified as “For Official Use Only” can only be granted access after signing an obligation not to disclose confidential information and trade secrets of NAC Kazatomprom JSC.

# RMS efficiency criteria

* 1. RMS efficiency is supported by the results of independent audits conducted by internal and/or external auditors or independent experts.
	2. RMS efficiency is assessed by representatives of the major shareholder 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.
	3. The definition of the "effectiveness" of the risk management process is subject to subjective judgement, formed as a result of assessing the presence and the effectiveness of the functioning of risk management components. Thus, the main criteria for evaluating the effectiveness of the RMS are:
* All RMS components are present and properly regulated;
* All RMS components function effectively, there are no significant shortcomings;
* The consolidated risk assessment has been reduced to limits that do not go beyond the Company's risk appetite.
	1. Effectiveness of the risk management process for each of the four categories
	of the objectives specified in paragraph 10.2 of this Policy, gives the Board of Directors and the management of the Company a reasonable guarantee that they have information on the extent to which the strategic and operational goals of the Company have been achieved, as well as that the Company's reporting is reliable, and the applicable legislation of the Republic of Kazakhstan is observed.
	2. Despite the fact that the risk management process brings important benefits, the Company recognizes that there are a number of limitations of the RMS and the internal control system. Decisions on the method of responding to risk and the creation of controls should take into account the ratio of costs and results, however, despite the existence of the effectiveness of the RMS and the internal control system, the Company recognizes that there are a number of limitations of these systems, such as:
1. erroneous professional judgement;
2. erroneous decisions;
3. external negative factors beyond the control of the Company;
4. setting initially unattainable goals;
5. human factor;
6. the opportunity for the Company's personnel to bypass the implementation of controls;
7. the probability of the Company's management to exceed its authority;
8. the possibility of staff collusion.

The presence of restrictions means that the RMS and the internal control system do not provide an absolute guarantee of achieving the Company's goals, while the Company takes into account the existing restrictions when developing the design of internal controls and choosing risk management tools.

# Appendices:

* 1. Appendix 1 “The structure and content of the risk management report”.
	2. Appendix 2 “Risk management reporting submission period”

**Appendix 1**

(mandatory)

**The structure and content of the risk management report\***

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_20\_\_**

 *Company/Enterprise) (Reporting period)*

1. Risk Map and Risk Register:

Risk Map and Risk Register for the projected Period 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).

1. Report on compliance with Risk appetite and, if necessary, proposals to review Risk appetite.
2. Reporting on financial risks in accordance with internal regulatory documents on the management of certain types of risks.
3. 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.
4. Information on significant deviations from established risk management and internal control processes (if any).
5. Actions taken to improve the CRMS and internal control in accordance with the recommendations of the IAS (if any).
6. Information on the corporate risk reinsurance program implemented in accordance with the internal regulatory document on the organization of insurance coverage.

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

Appendix 2

(mandatory)

Risk management reporting submission period

Period for submitting the reporting to the Company’s structural subdivision responsible for organizing risk management activity:

|  |  |  |
| --- | --- | --- |
| Document | Responsible | Submission period |
| Report on implementation of the preventive actions | Structural subdivisions  | Quarterly until the 10th day of the month following the reporting month |
| Report of the risk management structural subdivision:-Report on realized risks-Report on newly identified risks  |

Deadlines for the submission of consolidated reports by the structural subdivision responsible for organizing risk management activities:

|  |  |  |
| --- | --- | --- |
| Document | Document users | Submission period |
| Risk Management Report  | Risk Management Committee under the Management Board of the Company, Management Board of the Company, Audit Committee of the Board of Directors | Quarterly, according to the Work Plan of the Audit Committee of the Board of Directors |
| Risk Management Report | The Board of Directors | Annually, according to the Work Plan of the Company’s Board of Directors |