

**Reg. No. 28**

**NMSC Kazmortransflot LLP**

**COMPANY STANDARD**

**Risk Management Policy of NMSC KAZMORTRANSFLOT LLP and its  
subsidiaries of STP KMTF.027**

Aktau, 2017

**APPROVED by  
Resolution of the Supervisory Board of  
NMSC Kazmortransflot LLP**

**COMPANY STANDARD**

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## **1. General provisions**

This Policy has been developed in accordance with the requirements of National Welfare Fund "Samruk-Kazyna" JSC (the Fund), NC "KazMunayGas" JSC (KMG) and internal documents of NMSC Kazmortransflot LLP (KMTF).

Risk management in the KMTF and its subsidiaries on a consolidated basis is carried out by implementing a risk management system (RMS) at all levels of the KMTF. Risk management allows management to assess risks and manage them in a situation of uncertainty, which is an integral factor in creating and preserving the value of the Company.

This Policy defines the terminology, goals, objectives, basic principles of the organization and functioning of the RMS, the organizational structure of the RMS for the KMTF and its subsidiaries.

KMTF risk management based on this Policy is the basis for the functioning of RMS at all levels of KMTF risk management and its subsidiaries and affiliates.

## **2. Scope**

This Policy applies to all activities of the KMTF.

The Policy is mandatory for familiarization and application by all business units and all KMTF employees.

KMTF's subsidiaries carry out a Risk Management Policy taking into account the specifics of their activities, but without violating this Policy's provisions.

## **3. Basic terms, definitions and abbreviations**

The following terms, definitions and abbreviations are used in this Policy:

**Risk Owner** means an employee of the Company at least at the level of a Deputy Manager with direct subordination to the first Manager, who, by virtue of its job responsibilities, must manage industrial/non-industrial risk, ensuring the achievement of approved performance targets and functional tasks;

**Risk-Factor Owner** means an employee of the Company at least at the level of the head of the functional unit / business unit, who, by virtue of its official duties, must manage risk factors, the implementation of which may lead to the onset of industrial/non-industrial risk;

**Goals Owner** means an employee of the Company who manages the KMTF/SO and responsible for achieving approved industrial/non-industrial targets;

**External Risk Factors** mean risk factors that arise outside of the Company's operating activities and do not depend on the Company's activities;

**Internal Risk Factors** mean risk factors related to internal processes, organizational structure, human resources, assets of the Company and arising within the framework of the Company's operational activities;

**Guarantee** (for the purposes of this Policy) means obligations specified in the section "Terms and Definitions" of the Debt Management Policy of KMG and its subsidiaries and affiliates for the planned or reporting period;

**KMTF/Company** means KMTF and legal entities with fifty or more percent of voting shares (participation interests) directly or indirectly owned by KMTF on the right of ownership or trust management, as well as legal entities whose activities are

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under the control of KMTF;

**Subsidiary Organization (SO)** means a legal entity with predominant part of the authorized capital formed by the KMTF, or if, in accordance with an agreement concluded (or otherwise), the KMTF has the opportunity to approve resolutions taken by this company;

**Unified Risk Classifier (URC)** means a systematized list of risks for the KMG Group of companies and its subsidiaries (subsidiaries and affiliates) with unified names of risks, risk factors grouped according to the following criteria: area, category, group, name;

**Sole Participant/ KMG** means National Company "KazMunayGas" Joint Stock Company;

**Risk Map** means a graphical risk representation of KMTF and its SO depending on the estimated value of their potential damage and the probability of implementation;

**Key Risk Indicator (KRI)** means an indicator that provides the Company with early signals of changes in the critical risk factor in the industrial/non-industrial areas of activity;

**Control Procedures (Controls)** mean policies and procedures developed by the Risk Owner/Risk Factor Owner which are a description of the personnel's actions carried out directly or using technological means that ensure management and response to risks/risk factors on the part of the Risk Owner/Risk Factor Owner;

**Risk Management System (RMS)** means a set of principles, methods and procedures that ensure the organization and effective functioning of the risk management process at all levels of the KMTF and its SOs;

**KPI** means indicators that reflect the effectiveness of the Company's activities and allow measuring the level of achievement of goals;

**Critical risk/risk factor** means a risk/risk factor characterized by a high probability of occurrence and a high amount of potential damage reflected on the risk map in the red area;

**Cross-functional interaction within the risk management** means the process of managing cross-functional (interprocess) risk factors (risk factors affecting the goals of several processes), which is based on collective decisions taken jointly as per the information available to business units;

**Non-Industrial Risk** means a risk arising in non-industrial (supporting) processes;

**Business continuity assurance** is the strategic and tactical ability of a Company to plan its activities in case of an incident and disruption of its activities, aimed at ensuring business continuity at the established acceptable level;

**Area of industrial/non-industrial risks** - consolidated assessment of the residual value of industrial/non-industrial risks;

**Residual risk/risk factor** means the level of risk/risk factor remaining after the implementation of planned measures preventing the implementation of risk/risk factor;

**Responsible unit /responsible person** - business unit / KMTF risk management specialist - owner of the risk management process, whose functional responsibilities include the organization and control over the functioning of the risk management process at all levels of risk management;

**Business Continuity Plan** means a set of documented procedures, information and actions that have been developed, summarized and updated in order to use them in the event of an incident, and are aimed at ensuring that the Company can continue to perform critical activities for it at the established acceptable level;

**KPI threshold value** means the value of efficiency that characterizes the minimum expectations from the result of activity achievable with a high degree of probability under the condition of conscientious performance of official duties, as a rule, corresponding to the best of the following values: the planned value for the reporting year and the actual value for the year preceding the planned one;

**Inherent risk/risk factor** means a level of risk/risk factor without planned measures preventing the implementation of risk/risk factor;

**Industrial Risk** - means a risk arising in the production process;

**Operational processes** (for the purposes of this Policy) - the following KMTF business processes belong to the processes of operational activity i.e. exploration, production, transportation, processing, marketing and sales, service project management;

**PBU** means a production business unit of KMTF which directly carries out the production process and is located outside the location of the central office; is not a legal entity and does not have an independent balance sheet;

**Risk Registers** mean unified forms of records for the KMG/KMTF/SO group of companies wherein the identification, assessment, reassessment, monitoring of industrial/non-industrial risks at all levels of risk management are carried out;

**Risk** means a potential event in the future, which, if realized, may have a negative impact on the Company's achievement of its strategic and operational goals;

**Risk Appetite** means a degree of risk that a Company is willing to take to achieve its strategic and operational goals;

**Risk Coordinator** means a responsible employee of a business unit appointed by the Owner of the risk/risk factor, whose responsibilities include the organization and coordination of risk management/risk factors in his structural unit and interaction with the Responsible Unit;

**Risk factor** is the reason, leading to the realization of industrial/non-industrial risk;

**Business Unit** - a business unit (owner of risks/risk factors) that is part of the organizational structure of the Company, which is not a Responsible unit/responsible person;

**Business continuity management** means a management process that provides for the identification of potential threats and assessment of their impact on the Company's activities which creates the basis for increasing the Company's resilience to incidents by implementing effective response measures that protect the interests of stakeholders, business reputation, brand and activities that add value to the Company;

**Risk Management** means a continuous process carried out by the Supervisory Board, the Management Board, management, and KMTF employees in order to identify potential events that may affect the Company's activities, maintain the degree of their impact within acceptable (established) boundaries for the Company, and applied in strategic and operational management to ensure reasonable confidence regarding the achievement of strategic and operational objectives.

**Risk Tolerance Level** means KPI threshold value adjusted for the value of the quantitative impact of the estimated residual values of the industrial/non-industrial risk area.

#### **4. Goals and objectives**

##### **4.1. RMS goals are:**

- 1) achieving an optimal balance between the growth of the Company's value, its profitability and risks;
- 2) identification of the main tools and procedures used by the Company to manage industrial/non-industrial risks;
- 3) identification of areas of responsibility of Goal Owners, Risk Owners and Risk Factor Owners in the field of industrial/non-industrial risk management;
- 4) definition of internal documents that ensure the risk management process.

##### **4.2. RMS objectives are:**

- 1) determining the level of risk appetite of the Company in accordance with the Development Strategy;
- 2) improving the decision-making process to respond to emerging risks/risk factors;
- 3) rational use of capital;
- 4) prevention of the occurrence of risky events that threaten the achievement of strategic and operational goals;
- 5) integration of the risk management process into the key business and management processes of the Company;
- 6) building a vertical risk management process and functioning of a risk management system at all levels of management, starting from the top level (KMTF)

to the linear level (PBU). This reflects the most important principle of the approach to the risk management process - **risk management is best carried out locally and avoids dilution of responsibility;**

7) creation of such a risk management system so that Goal Owners, Risk Owners, and Risk Factor Owners independently identify and assess risks, apply standard risk management methods and develop measures (control procedures);

8) providing reasonable assurance to stakeholders that the Company is effectively managing risks.

## **5. RMS Principles**

The Company's risk management policy is based on the following principles:

1) the **unity of the methodological base:** the RMS processes are implemented on the basis of uniform methodological approaches in all structural units of the KMTF and its SO;

2) **continuity** -RMS functions on an ongoing basis;

3) **complexity** -RMS covers all areas of the Company's activities and all types of risks arising within them. Control procedures exist in all business processes of KMTF/SO at all levels of management;

4) **accountability** - the RMS organizational structure defines the competence for decision-making and control in the field of risk management at all levels of the KMTF/SO;

5) **awareness and timeliness of the message:** the risk management process is accompanied by the availability of objective, reliable and up-to-date information;

6) **rationality** -KMTF and its subsidiaries rationally use resources for the implementation of risk management measures, ensuring the economic efficiency of risk management measures;

7) **reasonable assurance** - the RMS can only provide reasonable guarantees that the Company's strategic and operational goals will be achieved, but cannot give an absolute guarantee due to the inherent limitations of the external and internal environment (for example, the human factor, the use of the principle of the expediency of implementing control procedures, etc.);

8) **adaptability** -RMS is regularly improved to identify all possible risks of activity and to maximize the effective use of methods of control and risk management;

8) **clear regulation** - all operations are carried out in accordance with the procedure for their implementation, established by the internal documents of the KMTF and its SO;

9) **active participation of management** - the Company's management takes an active part and provides support in the implementation and improvement of the risk management system in KMTF/SO.

## **6. RMS functioning process**

6.1 Interaction of the risk management process with the Company's business processes

*The interaction of the risk management process to the strategic planning process includes (but may not be limited to)::*

1)the process of developing a Company's Development Strategy, in particular,  
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the stage of evaluating alternative options for the Company's Development Strategy and choosing the optimal direction of the Company's development, should include the identification and analysis of risks that can influence the achievement of strategic goals;

2) in the action plans for the implementation of the Company's Development Strategy, the Company's management should provide for a set of measures aimed at minimizing the potential adverse effect of risks associated with the implementation of planned strategic initiatives;

3) the Rules for the development and monitoring of the Company's Development Strategy should reflect the order of the interaction between strategic planning and risk management systems.

*The interaction of the risk management process with the corporate governance process of the Company includes the following (but may not be limited to the following):*

1) The Company is aware of the importance of the RMS development as a key element of the corporate governance system;

2) corporate governance of the Company is based on the establishment of threshold levels of the Company's KPI in view of the risks assessed in the Company;

3) when setting threshold levels of the Company's KPI should strive to:  
- calculate the threshold value of efficiency based on residual values of the area of industrial/non-industrial risks, consisting of the external risk factors that are unmanageable and that the Company cannot influence on;

- manage industrial/non-industrial risks based on internal risk factors. Losses in physical volumes and in monetary terms due to industrial/non-industrial risks due to internal risk factors should be minimized and should not be included in the assessment of the area of industrial/non-industrial risks when calculating the threshold value of the Company's efficiency.

*The interaction of the risk management process with the operational processes includes the following (but may not be limited to the following):*

1) Goal Owners, Risk Owners, and Risk Factor Owners:  
- must identify and assess industrial/non-industrial risks and their inherent risk factors affecting the KPI achievement;

- must objectively assess the time and administrative resources necessary to implement the proposed measures to the Plan of Measures for Managing industrial/non-industrial risks and reflect the current state of risks/risk factors in quarterly risk reporting;

2) risk management measures (as well as, if necessary, their individual stages) should be included in the relevant annual activity plans of the Company's Business Units;

3) Business Units of the Company submit quarterly risk reports and information on realized risk events in accordance with the internal risk management documents of the KMTF/SO;

4) the initiators of the issues submitted for consideration to the executive body and the management body of the Company in their materials (explanatory notes)

include paragraphs describing the risks associated with both the adoption and non-adoption of the decisions made.

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

Initiators of investment projects (project curators who unite the Risk Owner and the Risk Factor Owner in one person) in the process of consideration and development of investment projects should:

- provide for the identification, assessment and analysis of risks/risk factors that can influence the implementation of the investment project and the achievement of the objectives of the investment project in accordance with the internal documents of the KMTF/SO in the field of investment activity;

- develop action plans, control procedures aimed at minimizing the potential adverse effect of the main risks associated with the project implementation.

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

- 1) the owner of the business process, when conducting treasury operations, must assess and analyze the impact of risk factors in order to comply with the principles of security (safety of capital), liquidity (the ability to convert assets into cash as soon as possible) and profitability (the highest income that can be obtained subject to compliance with the principles of security and liquidity) according to the Corporate Standard for treasury operations of the Fund;

- 2) cash flow management is carried out in view of the:

- compliance with the established limits on balance sheet and off-balance sheet obligations on counterparty banks, country limits;

- setting limits on the degree of debt burden and financial stability regulated by the Policy of Debt Management and Financial Stability of the Fund;

- achieving an optimal combination of risk and profitability when selecting the most profitable and safe financial instruments for investing temporarily free cash (TFC);

- forecasting cash flows and optimal distribution of the cash position by composition in order to minimize risk factors affecting liquidity.

*The interaction of the risk management process with the granting loans, financial assistance, and issuing Guarantees includes the following (but may not be limited to the following):*

- 1) the owner of the business process, when granting a loan and financial assistance, must analyze the impact of risk factors in accordance with the Internal Credit Policy of the Fund Group and the Rules for Granting Loans in KMG;

*The interaction of the risk management process with the business planning process:*

- 1) the process of preparing a set of Registers of industrial/non-industrial risks of the Company, including an Action Plan for managing industrial/non-industrial risks, a risk map of the Company should be carried out in parallel with the timing of the formation of KMTF/SO business plans and the KMTF Development Plan for the purpose of:

- establishment of industrial/non-industrial KPI thresholds in view of the impact of industrial/non-industrial risks on their achievement;

- ensuring advance submission of applications by Risk Owners, Risk Factors Owners of the Company for the costs associated with the implementation of the Action Plan for the management of industrial/non-industrial risks;

2) the process of monitoring the state of the area of industrial/non-industrial risks, the implementation of the Action Plan for managing industrial/non-industrial risks should be carried out in parallel with the timing of adjustments and monitoring of KMTF/SO business plans and the KMTF Development Plan for the purpose of:

- adjustments (if necessary) of industrial/non-industrial KPI thresholds in view of the impact of industrial/non-industrial risks on their achievement;

- ensuring the submission of applications by the Risks Owners, Risk Factors Owners for additional expenses aimed at risk management in case of insufficiency of the planned ones.

*The interaction of the risk management process with the human resource management process includes the following (but may not be limited to the following):*

1) obligations of the RMS participants to implement all procedures provided for by the RMS should be formally fixed with the mandatory condition of monitoring the performance of the relevant duties during the reporting period;

2) it is also recommended to provide incentive mechanisms designed to motivate managers and employees of the Company to act properly within the framework of the RMS, in accordance with the established deadlines and targets.

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

1) It is necessary to introduce and formalize the process of ensuring the continuity of the RMS and its functioning;

2) Owners of risks/risk factors should identify potential threats affecting the continuity of the Company's activities and assess their impact;

3) The owners of risks/risk factors should determine the requirements, develop and implement reliable and effective plans to ensure the continuity of the Company's activities;

4) business continuity plans should:

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

- include emergency and crisis response, as well as business process recovery plans;

- identify all responsible employees for the implementation of the recovery strategy;

- be subjected to periodic testing with training activities for staff;

- be subject to regular review taking into account changes in the Company's activities and identified shortcomings and inconsistencies when testing initial plans.

**The KMTF and its subsidiaries should have a risk-oriented model for building the Company's business processes.**

**6.2. The process of RMS functioning** is implemented through seven interrelated RMS processes integrated into the Company's management business processes:

- 1) setting goals;
- 2) identification of risks/risk factors;
- 3) risk assessment and analysis/risk factors;
  
- 4) risk management;
- 5) monitoring and reporting;
- 6) information and communication;
- 7) internal environment.

### **6.2.1. Setting goals**

Setting goals is the most important process of the Company in terms of which the goals of strategic, medium-term and short-term planning are cascaded and linked.

RMS is integrated into the processes of strategic planning, budgeting, motivation through the process of Setting goals. Setting goals at all levels of the Company's management for the implementation of strategic, medium-term, and short-term planning goals leads to building of a goal tree. By setting goals for management at all levels of management, the Company strives to achieve approved performance indicators.

For the purposes of the RMS, setting goals at all levels of the KMTF and its SO has the following meanings:

- firstly, cascading goals from top to bottom leads to the personification of goals, that is, each goal has a specific official responsible for the implementation of the goal. Building a tree of goals leads to the construction of a functional chain of goals from top to bottom for all business processes carried out by KMTF and its subsidiaries, **fixing the Owners of goals in the business areas of the Company and its subsidiaries throughout the functional vertical of risk management;**

- secondly, a particular official, by virtue of its official duties and experience, understands what risks may affect the performance of its tasks. Risk Owners and Risk Factor Owners at all levels of risk management determine the risk tree of the Company, the implementation of which may affect the achievement of the objectives, assess the impact of risks / risk factors on the fulfillment of their goals.

The RMS links the KMTF goals tree to the KMTF risk tree.

Building a tree of goals, assigning Owners to the goals, determining the Company's risk tree based on the goals tree directly affect the process of building a KPI tree of the Owners of goals.

Setting performance indicators from top to bottom for all levels of the Company's management should take into account the degree of risk management on the part of the Company, since the level of risk management affects the achievement of the goals of the Owners of the established KPI levels.

The implementation and functioning of RMS assumes the presence of an internal document in the Company regulating the process of cascading and assigning goals to specific Owners of goals, describing the process of interaction of all Business Units of the Company in the process of setting goals, linking the setting of short-term, medium-

term and long-term goals with vertical planning processes and setting performance indicators of the Company.

### **6.2.2. Identification of risks/risk factors**

Identification of inherent risks/risk factors is the determination of the exposure of all types of activities, business processes of the KMTF and its subsidiaries to the impact of risks, the occurrence of which may negatively affect the ability to achieve the planned goals and implement the tasks set.

Identification of risks and their corresponding risk factors is carried out by Risk Owners and Risk Factor Owners at all levels of management.

The mechanism for determining and assigning Risk Owners, Risk Factors Owners for all KMTF business processes is described in internal documents in the field of risk management.

A combination of various techniques and tools is used to identify risks and their corresponding risk factors. The procedure for identification, as well as methods and tools for identifying risks and their corresponding risk factors are described in the internal documents of the KMTF/SO on risk management.

### **6.2.3. Risk/risk factors assessment and analysis**

The assessment of the identified risk factors and the subsequent assessment of the industrial/non-industrial risk inherent in the identified risk factors is carried out in order to determine the degree of its impact on the achievement of the industrial/non-industrial KPI of the Company.

Industrial/non-industrial risks and their corresponding risk factors are analyzed according to the probability of their occurrence (probability of realization) and the degree of influence (potential damage).

The assessment of risk parameters can be quantitative or qualitative in nature. The Company will strive to develop and apply mainly quantitative methods of risk assessment/risk factors, constantly accumulate and improve modern methods of quantitative risk assessment.

The horizon of risk parameters assessment corresponds to the horizon of achievement of the corresponding goal (task) of the KMTF and SO.

Methods and tools for quantitative and qualitative assessment of risk parameters/risk factor, risk analysis/risk factors are disclosed in the internal documents of the KMTF/SO on risk management.

#### **6.2.4. Risk management**

Industrial/non-industrial risk management is the process of developing and implementing measures to reduce the negative consequences and/or the likelihood of the occurrence of inherent risks and their corresponding risk factors or to receive financial compensation in the event of losses associated with the risks of KMTF/SO activities.

In order to ensure the effectiveness of the risk management process and reduce the costs of its implementation, the Company should focus on critical risks/risk factors that may have the most significant impact on its financial condition and the achievement of its goals and objectives.

Risk management includes the development of controls on the part of the Risk Owner/Risk Factor Owner including a description of the mechanisms that ensure the implementation of standard risk management methods, deadlines for the execution of control procedures.

**Policies and procedures related to the implementation of control procedures for the management of certain types of risks are determined by the Risk Owners and Risk Factors Owners in internal documents on the management of certain types of risks.**

Selection of methods for responding to industrial/non-industrial risks, development of an Action Plan for the management of industrial/non-industrial risks in order to ensure an acceptable level of residual risk includes standard methods described in internal risk management documents.

Through the development of KMTF regulatory documents by the Risk Owner/Risk Factor Owner, the use of uniform controls is achieved to reduce the level for the same risks/risk factors.

For risks / risk - factors, the implementation of which may suspend the activities and functioning of the Company, Business Continuity Plans are developed and approved, providing for consistent actions of employees to restore the Company's operations. Factors for the continuity of the Company's activities are natural disasters, potential damage from industrial accidents, consumer expectations, shareholder decision-making, requirements of international standards, litigation, information system security, "fragile" supply chain, regulatory authorities and legislation, etc.

Industrial/non-industrial risk should be considered in the context of the entire Company. The risks of individual units/subsidiaries may exceed the acceptable level of risk, but are naturally compensated within the entire Company (correlation of risks within KMTF/SO). Risk management measures should be applied in such a way that the aggregate level of risk throughout the Company does not exceed an acceptable level. The Company's risk portfolio is formed by consolidating industrial/non-industrial risks at the level of KMTF and its subsidiaries.

Proposals for standard risk management methods and measures are submitted by the Risk Owners/Risk Factors Owners and are included in the Action Plan for Managing industrial/non-industrial risks.

**The Risk Management Action Plan and Business Continuity Plans of the Company are approved by the Company's management bodies within the time**

**frame corresponding to the approval of the consolidated Development Plan of the KMTF. Monitoring of the Action Plan by the Company's management bodies is carried out within the framework of quarterly risk reporting.**

#### **6.2.5. Monitoring and reporting**

Risk management monitoring means monitoring the dynamics of changes in risk parameters and the effectiveness of the implementation of measures and control procedures for risk management.

Monitoring is carried out by the Responsible Business Unit / Responsible Person of KMTF by quarterly collecting information on the dynamics of risks and the implementation of action plans and control procedures for their management received from Risk Owners, Risk Factors Owners of KMTF / Subsidiaries in accordance with internal documents on risk management.

In order to ensure the completeness and quality of information, the KMTF approves a single unified risk report format used in the Company.

The Company carries out continuous monitoring of activities, including ongoing operational control of operations in real time. Any information about the shortcomings of the risk management process identified during the current control should be brought to the attention of the Goal Owner, Risk Owner and the Responsible Business Unit/responsible person. Based on the results of the shortcomings analysis of the risk management process, corrective actions should be taken to eliminate the identified shortcomings.

One of the main risk monitoring tools is the KRI. KRIs make it possible to take early measures to avoid the occurrence of risky events or minimize their impact on the Company's activities. The KRI development should be carried out for all critical risk factors. The procedure for the KRI development is determined by internal documents in the field of risk management.

Based on the monitoring results, the implemented measures can be adjusted or additional ones can be developed.

Monitoring is carried out by constantly monitoring the implementation of the Policies, procedures and activities of the RMS and targeted inspections. The scale and frequency of targeted inspections depends on the risk assessment and the effectiveness of continuous monitoring. The RMS shortcomings should be brought to the attention of the KMTF management bodies.

The following are submitted to the Supervisory Board of KMTF at least once a year: proposals for the Company's risk appetite, the consolidated Risk Register, the risk map and the Company's Risk Management Action Plan. On a quarterly basis, the KMTF Supervisory Board submits a risk report (consolidated in view of the coverage of subsidiaries/KMTF) for consideration. The requirements for the content of the risk report and the deadlines for its submission are given in Annexes 2.3 to this Policy.

#### **6.2.6. Information and communication**

RMS in KMTF ensures an adequate flow of information - vertically and horizontally.

Information should not be subjected to distortion, enlargement and other transformations. For the purposes of identification and risk assessment, both operational information from internal and external sources, as well as audited reports, reports on financial and economic activities, reports of the IAS of KMG are used.

The information ensures the communication of shareholders' expectations, goals, strategies and tasks, importance and significance of effective risk management, the level of risk appetite by approving internal documents, regulations, etc. The horizontal transmission of information implies the interaction of Business Units within the Company with the Responsible Business Unit/responsible person.

Information and communication in the KMTF and its subsidiaries and affiliates make it possible to provide participants in the risk management process with reliable and timely information about risks, increases the level of awareness of risks, methods and tools for responding to risks. The relevant information is determined, recorded and provided in a prescribed form and within a time frame that allows employees to effectively perform their functions. The quality of information in the risk management system meets the following criteria:

- 1) adequacy of content,
- 2) timeliness of information,
- 3) relevance of information,
- 4) accuracy of information,



5) availability of information.

In addition to open channels of information transmission, the KMTF provides separate communication channels: a helpline, a "whistleblowing" mechanism (a procedure for confidential statements by employees about shortcomings and violations in the internal processes of the KMTF/SO).

Risk Owners/Risk Factors Owners constantly monitor and inform the Responsible Business Unit/responsible Person about potential risk events and realized risk events according to internal risk management documents.

Subsidiaries provide KMTF with information on risks for the purposes of consolidation, calculation of the aggregate level of risks, informing the KMTF Board and the KMTF Supervisory Board in accordance with internal documents in the field of risk management.

KMTF provides partners, creditors, external auditors, rating agencies and other interested parties (including as part of the annual report) with information on risk management, while ensuring that the level of detail of the disclosed information corresponds to the nature and scope of KMTF's activities.

An effective information environment involves large-scale automation of the processes of identification, assessment, management and monitoring of KMTF risks.

#### **6.2.7. Internal environment**

The implementation of the above components of the risk management process in the Company contributes to the development of a risk culture in the KMTF, based on the establishment of an appropriate "tone at the highest level", a high level of awareness and awareness of risks, responsibility of Risk Owners/Risk Factors Owners, active risk management, and timely reporting.

KMTF strives to build an adequate organizational structure of RMS that promotes effective corporate governance, ensures proper separation of responsibilities, powers and responsibilities for identification, assessment, management and reporting of risks. The RMS organizational structure of the KMTF is given in Annex 1 to this Policy.

The internal environment includes:

- 1) the Company's risk appetite and risk tolerance;
- 2) functions and responsibilities of RMS participants;
- 3) unified methodological documents of the RMS;
- 4) unified Risk Classifier of KMG and its subsidiaries and affiliates;
- 5) single database of realized risk events.

#### **Risk Appetite Calculation**

The Company's risk appetite characterizes its own level of risk retention in terms of which the Company can achieve its strategic and operational goals.

Risk appetite determines the upper limit of the level of critical risks/risk factors at the consolidated level that the KMTF is ready to accept. It also affects the allocation of resources, the organization of processes and the creation of infrastructure within the organization necessary for effective monitoring and response to risk events.

Risk Appetite (Risk Appetite statement) of the Company for the planned period on a consolidated basis has the following characteristics (approved by the Supervisory Board of KMTF):

- 1) reflects the KMTF Development Strategy, including goals, business plans, financial constraints and expectations of stakeholders;
- 2) covers all key aspects (directions) of activity;
- 3) takes into account the desire and ability to take risk;
- 4) determines the KMTF's attitude to risk;
- 5) periodically reviewed in view of the industry and market conditions;
- 6) requires effective monitoring of the risk itself;
- 7) includes both quantitative and qualitative indicators.

When calculating the quantitative risk appetite, the following conditions are observed:

1) the quantitative value of risk appetite should be sufficient to cover the residual values of the area of industrial/non-industrial risks. The higher the positive value of the risk appetite, the more stable the SO in terms of covering its possible losses in the event of the realization of risk factors in the area of industrial / non-industrial risks, the more confidence of KMTF that to finance losses as a result of the implementation of risk factors the SO will not use financial resources of KMTF;

2) risk appetite is intended to finance possible losses as a result of the implementation of external risk factors (unmanageable at the level of SO) affecting industrial/non-industrial risks;

3) industrial/non-industrial risks of SO, the probability of which is associated with the implementation of internal risk factors (managed at the SO level) should not be covered by risk appetite, but should be managed at the SO level through risk management measures.

In order to carry out effective monitoring and prevent excess of the risk appetite level, risk tolerance is applied in the KMTF.

Risk tolerance is measured in the same units as similar goals. Levels of tolerance to KMTF/SO risks are approved by the KMTF Supervisory Board.

Risk tolerance levels are reviewed in case of occurrence/identification of new risk factors for industrial/non-industrial risks or when risk events occur. The responsible Business Unit/responsible person monitors compliance with risk tolerance levels on a quarterly basis.

Activities within the risk tolerance levels provide management with a higher degree of confidence in achieving the goals.

Approaches and methods for calculating the Company's risk appetite and risk tolerance are defined in internal documents in the field of risk management.

**Functions and responsibilities of RMS participants**

Supervisory Board of the KMTF	<ul style="list-style-type: none"> <li>- responsible for the availability of an effective RMS of KMTF including by approving this Policy;</li> <li>- approves strategic, medium- and short-term goals;</li> <li>- approves risk appetite of the Company, levels of tolerance towards KMTF risks;</li> <li>- approves Risk Registers, Risk Map, KRIs and the KMTF Risk Management Action Plan;</li> <li>- reviews and approves quarterly risk reports;</li> <li>- approves KPI indicators of the risk management system and provides an annual KPI assessment of the KMTF's risk management system;</li> <li>- approves Plans for ensuring continuity of KMTF activities.</li> </ul>
KMTF Board	<ul style="list-style-type: none"> <li>- responsible for the organization and effective RMS functioning of the KMTF;</li> <li>- ensures the implementation of this Policy, including compliance with the provisions of this Policy by KMTF Business Units;</li> <li>- approves the Register of Risk Owners/Risk Factors Owners /Risk Coordinators of KMTF;</li> <li>- bears responsibility for timely provision of quarterly reports to KMG and the KMTF Supervisory Board</li> </ul>

risk reports; reviews quarterly KMTF risk reports and takes appropriate measures within its competence; ensures the improvement of internal documents in the field of risk management of the KMTF and its subsidiaries.

**KMTF Risk  
Committee**

- considers methodological documents on risk management, as well as proposals of the Responsible Business Unit/Responsible Person for the development of risk management policies, procedures and structures for submission to the KMTF Supervisory Board for approval;
- considers new approaches to risk management and their applicability to the KMTF and its subsidiaries;
- considers proposals for the appointment of Risk Owners, Risk Factor Owners and KMTF Risk Coordinators;
- reviews work plans to improve the RMS; - reviews the Company's risks and the effectiveness of risk management measures, coordinates risk appetite, risk tolerance levels for submission to the KMTF Supervisory Board for approval;
- approves the Risk Register, Risk Map, Risk Management Action Plan, KRIs, as well as quarterly risk reports for submission to the KMTF Supervisory Board for approval.

**Responsible  
Business  
Unit/responsible  
person of the  
KMTF**

- ensures the functioning of the RMS, the development and updating of methodological documents on the RMS;
- carries out consulting support to Business Units on the issues of RMS functioning;
- analyzes the context (internal and external conditions), monitors internal/external factors that may have a significant impact on the Company's risks; conducts training activities on risk management;
- reviews and coordinates Risk Registers prepared by Business Units/business areas/SO within the scope of this Policy;
- performs risk consolidation for KMTF and its subsidiaries and affiliates

	<p>and analysis of information; bears responsibility for the timely preparation of the Risk Register, Risk Map, Risk Management Plan of the Company, as well as the preparation of quarterly reports on the Company's risks for the Management Board and the Supervisory Board of KMTF;</p> <ul style="list-style-type: none"> <li>- bears responsibility for timely monitoring of compliance with risk tolerance levels, KRI;</li> <li>- monitors the implementation of risk management measures, controls the state of the Company's risks;</li> <li>- interacts with IAS of KMG, Business Units, external consultants and other stakeholders on risk management issues within its competence;</li> <li>- provides the organization of the process of interviewing Risk Owners, Risk Factors Owners of KMTF and methodological support when applying expert methods of identification and risk assessment of the Company.</li> </ul>
Owner of the KMTF goals	<ul style="list-style-type: none"> <li>- responsible for agreeing on the risk values in quantitative/qualitative terms that affect the achievement of the established KPIs (goals) and agreeing on the Risk Management Action Plan;</li> <li>- monitors the timely implementation of the approved Risk Management Action Plan.</li> </ul>
KMTF Risk Owner	<ul style="list-style-type: none"> <li>- responsible for the proper management and control of the risks associated with the implementation of the processes supervised by the KMTF Risk Owner;</li> <li>- responsible for providing timely and complete information on the state of risks and the implementation of risk management measures to the Responsible Business Unit/responsible person of the KMTF;</li> <li>- develops and implements continuity plans of KMTF activities;</li> <li>- ensures the development of mechanisms for managing certain types of risks, control procedures associated with the implementation of processes supervised by the Owner of KMTF risks (corporate standards, regulations, policies for managing certain types of risks) aimed at reducing the level of risk</li> </ul>

<p>Owner of KMTF Risk Factors</p>	<ul style="list-style-type: none"> <li>- is responsible for the proper management and control of risk factors associated with the implementation of processes supervised by the Owner of risk factors;</li> <li>- is responsible for providing timely and complete information on the status of risk factors and the implementation of risk factor management measures to the Responsible Business Unit/responsible person of the KMTF;</li> <li>- develops and implements KMTF business continuity plans;</li> <li>- ensures the development of mechanisms for managing certain types of risks, control procedures associated with the implementation of processes supervised by the Risk Factors Owners of the KMTF (corporate standards, regulations, policies for managing certain types of risks) aimed at reducing the level of risk.</li> </ul>
<p>Subsidiaries of KMTF</p>	<ul style="list-style-type: none"> <li>- ensure timely organization of the risk identification and assessment process in accordance with the methodological documents of the RMS;</li> <li>- are responsible for the proper management and control of risks associated with the implementation of SO's processes;</li> <li>- are responsible for the timely provision of risk reporting, as well as full status information on industrial/non-industrial risks and execution of measures for their management, realized risk events, to the Responsible Business Unit/responsible person of the KMTF;</li> <li>- develop and implement business continuity plans of subsidiaries.</li> </ul>
<p>Every employee of KMTF/SO</p>	<ul style="list-style-type: none"> <li>- responsible for the performance of official duties in the field of risk management in accordance with job descriptions;</li> <li>- promptly notifies the Responsible Business Unit/responsible person, its immediate supervisor of any committed or possible errors/deficiencies that have led or may lead to potential losses, potential and realized risk events, in accordance with the procedure and deadlines established by the internal documents of the RMS;</li> <li>- undergoes training in the field of risk management in accordance with the approved training program.</li> </ul>

In order to increase the effectiveness of the risk management process and the development of risk culture in the KMTF, a Risk Coordinator is appointed in the KMTF Business Unit and its subsidiaries, whose responsibilities include coordinating risk management work in its Business Unit and interaction with the Responsible Business Unit/responsible person.

**Unified methodological documents of the Company's RMS include:**

- Rules for organizing the process of managing industrial and non-industrial risks in the KMTF and its subsidiaries;
- The methodology of risk identification and assessment, the choice of the risk management method of NMSC Kazmortransflot LLP and its subsidiaries";
- Rules on amendments to the Unified Risk Classifier of NC "KazMunayGas" JSC and its subsidiaries and affiliates";
- Rules for the organization of the business continuity process;
- Methodology for the development of a business continuity plan;
- Policies and procedures related to the implementation of control procedures developed and approved by Risk Owners/Risk Factors Owners in the Company in order to manage certain types of risks.

**Unified Risk Classifier of KMG and its subsidiaries**

In order to unify the names of risks under the KMTF/SO and standardization of the risk identification process, developed by URC of KMG and its subsidiaries.

The key basis for risk classification is functional risk areas:

- 1) industrial risks;
- 2) non-industrial risks;

Each area contains a list of the names of industrial and non-industrial risks and the corresponding risk factors to which the Company is exposed in conjunction with the Company's existing industrial and non-industrial business processes.

URC is required for use in the Company's RMS.

## **Unified Electronic Database on Realized Risk Events (UEDRRE)**

The responsible Business Unit/responsible person of the KMTF provides centralized management and administration of the UEDRRE.

The main purpose of the UEDRRE is to collect statistics on realized risk events according to the KMTF, the availability of which is necessary when conducting a quantitative assessment of risks /risk factors, as well as when preparing various analytical reports on risks.

Subsidiaries of KMTFS provide the KMTF with structured information on realized risk events for the purpose of consolidation in the UEDRRE. Subsidiaries of KMTF should maintain local databases on realized risk events for further quantitative risk assessment, formation of internal reporting and informing the governing bodies of KMTF / subsidiaries in accordance with approved methodological documents.

The procedure for UEDRRE conducting is provided for in the internal documents of the KMTF/SO on risk management.

## **7. Criteria for the RMS effectiveness**

In order for the risk management process to be considered effective, all seven components of the RMS must be present and function effectively.

The RMS effectiveness can be assessed based on the following quantitative and qualitative criteria:

- 1) risk management is carried out on an ongoing basis;
- 2) the risk management process is linked to all business processes;
- 3) The information generated by the RMS is actively used and taken into account in the process of making managerial decisions including those concerning the prioritization of tasks and the effective allocation of resources;
- 4) in the long term, the RMS does not act as a subject of resource consumption, but as a tool for their more economical use.

The KMTF RMS effectiveness is confirmed by the results of independent evaluations conducted by internal and/or external auditors or independent experts, recognized by members of the KMTF Supervisory Board, KMTF management, rating agencies, investors, creditors, KMTF employees, government agencies, and the media.

## **8. Requirements to risks information confidentiality**

External persons who receive access to confidential information about risks and plans of measures to manage them may be granted access only after signing an agreement on non-disclosure of confidential information.

The Policy is an open document and is available for review and use by a wide range of people. The Policy is posted on the KMTF corporate website.

The Risk Management Policy and other documents are available to all KMTF employees and officials. Amendments to the RMS methodological documents are communicated to all KMTF employees and officials through the electronic document management system.

Policies on certain types of risks, rules on certain types of financial risks, as well as reports on them (including the financial stability report), are distributed exclusively in the "For Official Use (FOU)" mode.



## 9. Final provisions

The Policy is approved by the KMTF Supervisory Board and is subject to revision if necessary.

**The Policy implementation should be carried out on the basis of the use of specialized information systems that allow timely identification, analysis, assessment, management and control of risks with a significant reduction in time and labor costs, with a prerequisite for their integration with the information systems of the KMTF and its subsidiaries.**

## 10. Responsibility for application and support of Policy

<b>Business Unit</b>	<b>Job Title</b>	<b>Name</b>	<b>Date and signature</b>
<b>Developer of document</b>	Risk Management Specialist	Bykovsky I.	
	Senior Specialist (in IMS)	Ulykpanova A.	

**Annex 1**  
to the Corporate Risk Management System Policy of  
NMSC Kazmortransflot LLP and its subsidiaries

**Organizational structure of the KMTF RMS**



**Annex 2**  
to the Corporate Risk Management System Policy of  
NMSC Kazmortransflot LLP and its subsidiaries

**Structure and requirements  
to the minimum content of the risk report\***

1. Risk Map and Register
  - 1) risk map for the forthcoming year, amendments in the risk map for the reporting quarter with the detailed information on changes in the dynamics of risks/risk factors;
  - 2) separate allocation of critical risks /risk factors with confirmation of their presence, an action plan to reduce the likelihood / impact, a qualitative /quantitative assessment of the impact.
  - 3) Risk register for the forthcoming year, Risk Register with quarterly amendments;
  - 4) Risk Management Action Plan once a year, amendments made to the Risk Management Action Plan quarterly (if necessary);
  - 5) execution of the Risk Management Action Plan on a quarterly basis with an assessment of the measures taken during the half-year;
  - 6) new identified risk factors with justification of their occurrence, an action plan to reduce the likelihood /impact, qualitative/quantitative assessment of the impact.
2. Risk appetite for the forecast year (once a year), adjusted risk appetite quarterly (if necessary).
3. Register of KRI with threshold levels for the forthcoming year, quarterly report on the current state of the KRI
4. Financial Risk Report:
  - 1) financial risks in accordance with the Rules for Managing certain Types of financial risks (currency, interest rate, country, credit risk for corporate counterparties, credit risk for counterparty banks).
  - 2) information on compliance/non-compliance with risk limits, including limits on counterparty banks.
  - 3) report on financial stability including information on the debt burden and fulfillment of covenant obligations in accordance with the Policy of Debt Management and Financial Stability of Samruk-Kazyna JSC.

5. Report on investment projects risks including realized risks of investment projects.
6. Information on realized risk events (quarterly) with mandatory indication of damage (in quantitative, if possible, and in qualitative assessment) and actions taken to respond to these events with an assessment of the taken measures effectiveness. Comparative analysis of losses from realized risk events for a period (quarterly) with an approved risk appetite. This section should also include information on accidents and catastrophes at work (including information on the number of victims and deaths).
7. Information on significant deviations from established risk management processes, if necessary.
8. Activities carried out to improve risk management systems in accordance with the recommendations of the IAS of KMG (if any).
9. Information on compliance with risk management requirements.
10. Report on insurance in accordance with the Policy on the organization of insurance protection in Samruk-Kazyna JSC and legal entities with more than fifty percent of the voting shares (participatory interests) directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management.
11. Statement of the Company's Supervisory Board confirming the effectiveness/non-effectiveness of the risk management system.

\*this list may be amended and supplemented if necessary.

### Annex 3

to the Corporate Risk Management System Policy of NMSC Kazmortransflot LLP and its subsidiaries

#### Deadlines for submitting risk reports

For subsidiaries, mandatory risk reports are:

1) reporting forms for each risk (provided in accordance with the approved package of forms of the management reporting system (MRS));

2) financial statements report (provided in accordance with the Policy of debt management and financial stability of Samruk-Kazyna JSC including a report on financial risks);

3) risk report approved by the management body of subsidiary.

Deadlines for submitting risk reporting forms by SO (according to established forms) and a risk report:

Document name	Users document	Submission Period
MRS reporting form (including) risk reporting forms	Responsible Business Unit of KMG	For the Q1 and Q3, the reporting date is + 30 calendar days; Q2 and Q4, the reporting date is + 40 calendar days
Risk Report including Financial Risk Report	Responsible Business Unit of KMG	For the Q1, Q2, Q3 and Q4, the reporting date is + 10 calendar days
Risk Report including Financial Risk Report	KMTF Management Body	No later than the 20th of the second month following the reporting quarter according to the work plan of the KMTF Supervisory Board

Deadlines for the submission of consolidated reports by the Responsible Business Unit/Responsible person of KMTF:

Document name	Users document	Submission Period
Risk Report including Financial Risk Report (on consolidated basis)	KMTF Risk Committee, KMTF Board, KMTF Supervisory Board	No later than the 20th of the second month following the reporting quarter according to the work plan of the Supervisory Board

## CHANGE SHEET

No. s/i	Date	Amended page No.	Description	Executor, signature

**FAMILIARISATION SHEET FOR BUSINESS UNIT PERSONNEL**

No. s/i	Job Title	Name	Read and understood	Note
1			07/11/2017	