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# Purpose

The risk management policy of UMP JSC (hereinafter referred to as the Policy) establishes the goals and objectives of the risk management system, defines the requirements for construction, the organizational structure of the risk management system and the functions of its participants, and describes the main risk management processes at UMP JSC.

# Scope

The Policy shall be applied to all types of activities of UMP JSC (hereinafter referred to as the Company) and mandatory for use by all structural divisions and employees of the Company participating in the risk management system. When performing functional duties and implementing assigned tasks, the Company's employees shall be guided by the provisions set out in this Policy.

Based on this Policy, subsidiaries and dependent organizations (hereinafter referred to as SDOs) of the Company are recommended to develop and approve in the prescribed manner a similar internal document.

# Terms, definitions and abbreviations

This Policy uses the following terms with corresponding definitions:

* **COSO –** Committee of Sponsoring Organizations of the Treadway Commission;
* **ISO** – International Organization for Standardization, ISO (English: International Organization for Standardization, ISO) – an international organization that issues standards;
* **Sole Shareholder –**NAC Kazatomprom Joint-Stock Company;
* **Company -** Ulba Metallurgical Plant Joint-Stock Company;
* **Risk management system (RMS) –** a set of interrelated components established by the Policy, which provides a mechanism for interaction between internal procedures, processes, and policies of structural divisions developed and regulated by the Company in order to timely identify, measure, control and monitor the Company’s risks, as well as their minimization to ensure its financial stability and stable functioning within the framework of acceptable level of risk for shareholders (risk appetite).
* Risk owner - a person (employee/structural unit/collegial body) who has responsibilities and powers for risk management, responsible for all aspects of managing a certain risk, in particular, reducing the likelihood of risk realization and/or reducing the possible impact of the consequences of risk realization on the Company;
* Business process owner is the head of a structural unit responsible for executing the process and achieving the required result at the output of the process;
* Risk identification is the process of identifying, identifying and describing risk elements. Elements of risk may include sources of risk or hazard, factors, events, consequences and potential;
* Investment and project risk is an expected deterioration in the final performance indicators of a project (portfolio of projects), arising under the influence of external and internal factors;
* Risk map - a graphical display of the Company’s risks depending on the magnitude of their potential impact and the likelihood of implementation;
* Qualitative assessment is the determination of the degree of influence of risk on the Company’s activities, in accordance with internal criteria, and the probability of risk based on expert assessment;
* Risk classifier – a list of typical risk categories that shall be taken into account in the process of identifying and managing risks. Note: this is an example of the main areas in which the Company’s risks may manifest themselves. Please note that the actual risks identified may differ significantly from those indicated in the classifier. The risk classifier is not exhaustive and cannot serve as a replacement for the risk identification process;
* Key risk indicator (KRI) are early warning indicators, indicators that represent early signals of changes in risk factors or risk exposure in various areas of activity;
* **Key Company risks** - risks that, based on the results of the assessment, are located in the red zone on the Company’s risk map and risks from the other areas, which, in the opinion of management/risk owner/risk manager, can have the most negative impact on the Company’s achievement of its short- and long-term goals or financial stability;
* **Quantitative assessment** – mathematical forecast and calculation of the likelihood of risks occurring, as well as potential material damage to the risk;
* **Compliance risk -** the risk of losses due to non-compliance, non-compliance by the Company and its employees with the requirements of applicable legislation, regulations, rules and standards of supervisory authorities, industry associations and self-regulatory organizations, codes of conduct, requirements of exchanges, and other regulating internal rules and procedures of the Company;
* **Controls -** policies and procedures that help ensure risk management measures are being implemented;
* **Bank limit** – the amount of credit risk for the counterparty bank, taking into account the results of the analysis of its financial condition and the influence of risk factors;
* **Operational risk -** the risk of losses, industrial accidents as a result of deficiencies 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;
* **Policy -** an internal document approved by the Company Board of Directors that defines the basic principles and standards that ensure the effective functioning of the Company and compliance of its activities with strategy and risk appetite. Note: Within the framework of the Policy, the Board of Directors of the Company ensures the availability of appropriate internal documents describing individual procedures, processes, instructions;
* **Preventive measures** – current actions of risk owners/owners of activities that are carried out before the risk is realized, in order to promptly influence the reasons for the risk’s realization;
* **Reactive actions –** planned actions of risk/action owners that will be carried out after the risk has been realized, in order to promptly respond and reduce negative consequences as a result of the risk’s realization;
* **Risk register -** a structured list of risks that the Company may encounter in its activities, containing the criteria and reasons for the occurrence of risks, the likelihood of their occurrence, impact (damage);
* **Risk** **–** represents the likelihood that expected or unforeseen events (or a combination of circumstances) will have a significant negative impact on the Company’s achievement of its long-term and short-term goals and its financial stability. Notes: The term is usually used only when there is a possibility of negative and/or positive consequences. Objectives can have different dimensions (e.g.: financial, health and safety, environmental) and can be applied at different levels (e.g.: strategic, organizational, project, production and process levels);
* **Risk appetite -** the level (magnitude) of risk that the Company considers acceptable and is ready to accept or exclude in the process of implementing the strategy;
* Risk manager - the head of a department that oversees issues related to risk management of the Company. Designated by an internal document of the Company;
* Risk coordinator - an employee of a structural unit of the Company whose responsibilities include organizing risk management work in his structural unit;
* Risk and Compliance Officer - head of the Risk and Compliance Officer service of the Company, reporting directly to the Board of Directors, ensuring the organization of the functioning of the compliance risk system and monitoring compliance with mandatory regulatory requirements on anti-corruption issues of the Republic of Kazakhstan, and performing functions in accordance with the legislation of the Republic of Kazakhstan, constituent documents, Regulations on the service of the Risk and Compliance Officer and internal documents of the Company, is not a member of the Company’s bodies;
* **Strategic risk -** the risk of losses due to changes or errors (deficiencies) in determining and implementing the strategy of activity and development, changes in the political environment, regional conditions, industry decline, and other external factors of a systemic nature;
* **Tolerance level (risk tolerance) -** the acceptable levels of risk exposure or risk appetite indicators (on an aggregate basis). The level of tolerance allows for effective monitoring and prevention of exceeding the level of risk appetite;
* **Financial risk -** the risk associated with the capital structure and a decrease in financial stability. Financial risks include market risks (fluctuations in interest and currency rates, fluctuations in prices for natural resources), liquidity risks, credit risks (for corporate counterparties, banks, financial institutions, countries, etc.).

Other terms used in this Policy have the meanings established by ST 20.0007.

# General provisions

* 1. This Policy has been developed in accordance with the Risk Management Policy of NAC Kazatomprom JSC.
	2. This Policy is aimed at maintaining a risk management system, which should provide the Company with the ability to effectively manage and distribute resources in priority areas to ensure an acceptable level of risks for the Company and obtain the greatest return on such investments through the identification, assessment, management and monitoring of risks. Officials and employees of the Company, when performing their duties and implementing assigned tasks, are required to be guided by the Policy.
	3. Risk management on a consolidated basis is carried out through the implementation of a risk management system in subsidiaries and affiliates.
	4. The company provides methodological and consulting support, and also coordinates activities for the development and improvement of the RMS during the process of implementing RMS in subsidiaries and affiliates.
	5. Regulatory documents in the field of RMS are revised (including this Policy) as necessary in order to ensure their compliance with the goals, scale and specifics of the Company’s activities, take into account best risk management practices and accumulated experience, as well as take into account new regulatory requirements, experience and risk-management standards.
	6. The Policy is posted on the external and internal websites of the Company. Other documents in the field of risk management are available to all employees and officials of the Company on the internal website of the Company within the framework of access rights. Changes in the RMS are communicated to all employees and officials of the Company by posting up-to-date information on the internal website of the Company.

# Basic principles of RMS

The Company defines the following basic principles of risk management:

* + **Integrity** – consideration of the elements of the total risk of the Company and its enterprises in the context of the RMS;
	+ **Openness** – a ban on considering the RMS as autonomous or separate;
	+ **Structurality** – a comprehensive risk management system has a clear structure;
	+ **Awareness** – risk management is accompanied by the availability of objective, reliable and up-to-date information;
	+ **Continuity** – the risk management process is carried out on an ongoing basis;
	+ **Cyclicality** – the risk management process is a constantly repeating structured cycle of its main components;
	+ **Continuous improvement** – improvement of risk management work, including information systems, procedures and technologies, taking into account strategic objectives, changes in the external environment, and innovations in global risk management practice.

# Goals and objectives of the RMS

* 1. The purpose of the RMS is to improve the efficiency of managing risks, threats and opportunities, which should contribute to the process of increasing the capitalization of the Company. In accordance with the Company's Development Strategy, RMS sets itself the following goals:
	+ protection of the interests of the Sole Shareholder of the Company;
	+ ensuring the strategic and operational sustainability of the Company;
	+ prevention and/or reduction of losses in the Company in the event of risks unfavorable to it;
	+ development and application of uniform and consistent approaches to identifying, assessing and managing the Company’s risks, improving 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;
	+ effectively respond to and manage unexpected situations;
	+ maintain a systematic risk management process that is part of the overall process of ensuring an effective internal control environment;
	+ provide reasonable guarantees to stakeholders that the Company effectively manages risks.

# Risk-culture definition

* 1. Risk-management culture (risk-culture) is the basis of risk-management. These are the beliefs, understanding and knowledge of risk management shared and applied by all officers and employees in the performance of their duties.

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

* 1. Risk-culture is based on four principles:

1) Tone at the highest level: The Board of Directors and the Executive Management Board of the Company set the tone from above and when making decisions, they proceed from the optimal balance between long-term value, profitability and risks associated with both making and not making decisions, and encourage risk-oriented behavior among subordinates. Each issue on the agenda of the meetings of the Company’s bodies shall 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 a control environment that ensures that employees understand that the Policy and all internal regulations are mandatory for compliance. All officials and employees of the Company are clearly aware of their area of responsibility and authority for risk management and internal control. Risk owners, within their competence, understand risks, manage them and properly inform about risks in accordance with the Company’s internal regulatory documents.

3) Decision making: The internal environment is characterized by open communication and transparency of information about risks, this promotes 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 employees to develop the correct attitude towards risk in the process of making management decisions. With a developed risk-culture, decisions made are clearly determined 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 owners and business process owners) is represented by structural divisions represented by each employee within their competence. The Company's employees, when performing their official duties, directly manage risks and carry out control procedures within their competence. The first line operates within the approved risk appetite levels and operates within the accepted risk management policies.
* The second line is represented by the structural unit responsible for organizing risk management activities and the Risk and Compliance Officer Service. The second line is responsible for monitoring the implementation by structural divisions (business functions) of effective risk management and internal control practices, compliance with legislation and internal regulations of the Company, alleged violations of the Code of Corporate Ethics and Compliance, internal documents of the Company and/or legislation on anti-corruption issues and other regulatory requirements applicable to the Company.
* The third line (independent guarantee) is represented by the Company's Internal Audit Service (hereinafter referred to as the IAS), which 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 system and internal control.
	1. Sources of information on the level of risk-culture for the Executive Management Board and Board of Directors of the Company may be documents assessing the effectiveness of the risk management and internal control system in the Company, reports on diagnostics of corporate governance in companies, etc.
	2. The Company has a Confidential Reporting Policy, which establishes the procedure for reporting violations of the Code of Corporate Ethics and Compliance.

# Organizational structure of the RMS

* 1. The organizational structure of the RMS in the Company ensures the flow of information vertically and horizontally.
	2. Information coming vertically from bottom to top provides the Sole Shareholder, the Board of Directors, and the Executive Management Board of the Company with information: about current activities, risks taken in the course of activities, their assessment, control, response methods and the level of their management.
	3. Decisions directed from top to bottom ensure that the Company and its subsidiaries and affiliates communicate the goals, strategies and objectives through decisions made by the Sole Shareholder, the Board of Directors, the Executive Management Board of the Company, as well as the approval of documents on risk management of the Company.
	4. The horizontal transfer of information implies interaction between the structural divisions of the Company and its responsible employees for organizing risk management activities.
	5. The structure of the Company's RMS is presented at several levels involving the following bodies and divisions of the Company (Fig. 1):

Sole Shareholder

Board of Directors

Risk management committee for Company Executive Management Board

Internal Audit Service

Executive Management Board

Structural unit 1

Structural unit 2

Structural unit n

Risk management structural unit

Risk-manager

Risk and Compliance Officer Service

**Audit Committee аудиту**

Corporate Secretary

**Figure 1. Organizational structure of the RMS**

# Functions of RMS participants

* 1. **The sole shareholder**, based on the information provided by the Board of Directors and the Company Executive Management Board, makes strategic decisions in order to manage the risks of the Company.
	2. **The Company Board of Directors** plays a key role in supervising the RMS and performs the following functions in the field of risk management:
	+ 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 forms and deadlines for reporting on risk management;
	+ approval of risk management reports;
	+ review 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 inspections of the Internal Audit Service;
	+ approval of levels of responsibility for monitoring and control over the Company's risks by approving this Policy;
	+ approval of limits on banks that do not fall within the competence of the Company Executive Management Board in accordance with the Rules “Establishing limits on banks of Ulba Metallurgical Plant JSC”;
	+ approval of the Company's risk appetite at the consolidated level;
	+ approval of tolerance levels for key risks;
	+ approval of the Register and risk map of the Company;
	+ approval of an action plan to minimize risks (within the framework of the Register and risk map of the Company);
	+ monitoring risk management activities through the Audit Committee for the Board of Directors of the Company.
	1. **The Audit Committee** of the Company Board of Directors on risk management issues performs the following functions:
* analyzes reports of external and internal auditors on the state of the risk management system;
* analyzes the effectiveness of the Company's risk management system, and also makes proposals on these related issues;
* exercises control over the implementation of recommendations of the Company’s internal and external auditors regarding the risk management system;
* holds regular meetings with the Company Executive Management Board to review key risks and control issues and the Company’s corresponding risk management plans;
	+ preliminarily approves the Strategy for the development of the Company's risk management system;
* preliminarily approves the Policy and other internal documents in the field of risk management of the Company;
* pre-approves risk management reports;
* preliminarily approves reports on the effectiveness of the risk management and internal control system prepared by the Internal Audit Service of the Company;
	+ preliminary reviews the conclusions of external auditors on improving internal control and risk management and the results of audits of the Internal Audit Service;
	+ preliminarily approves limits on banks that do not fall within the competence of the Company Executive Management Board in accordance with the Rules “Establishing limits on banks of Ulba Metallurgical Plant JSC”;
* pre-approves tolerance levels for key risks;
* preliminarily approves the Register and risk map of the Company;
* preliminarily approves the Company’s risk appetite at the consolidated level;
	1. **The Company Executive Management Board** is responsible for organizing an 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, development and approval of relevant internal documents describing individual procedures, processes, instructions for risk management;
	+ submitting risk management reports for consideration and approval to the Board of Directors and the Audit Committee in accordance with the procedure determined by the Board of Directors;
	+ review and preliminary approval of the Company's risk management reports on a consolidated basis and take appropriate measures within its competence;
	+ organizing the functioning of an effective RMS that allows identifying and assessing the Company’s risks;
	+ 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 risk management in the Company and some activities for subsidiaries and affiliates within the framework of regulatory documents approved by the Board of Directors;
	+ approval of documents on risk management of the Company that are not within the competence of the Board of Directors of the Company;
	+ approval of limits on banks in accordance with the Rules “Establishing limits on banks of Ulba Metallurgical Plant JSC”;
	+ improvement of internal procedures and regulations in the field of risk management;
	1. **Risk Manager** is appointed by the administrative document - an official from among the managers who oversees issues related to risk management, internal control, and management of the continuity of the Company's activities on a consolidated and separate basis. The Company's risk manager shall meet the following requirements:
	+ report directly to the first head of the Company;
	+ 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 for the Company Executive Management Board** performs the following functions:
	+ review and preliminary approval of draft internal and other documents of the Company on risk management (including the Policy);
	+ control over the periodic updating and improvement of 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 risk management methods proposed, based on the results of identification, classification and assessment of risks, by structural divisions from the list of risk management methods existing in internal risk management documents;
	+ consideration and preparation of proposals based on the results of control and monitoring of the state of risks, the Company’s compliance with the maximum permissible risk limits and the execution by the Company’s divisions of internal documents on risk management;
	+ consideration and preparation of proposals for improving measures in the event of adverse impacts (including on the environment, changes in market conditions, the occurrence of force majeure, etc.);
	+ coordination of interaction between the Company's structural divisions in the risk management process;
	+ submitting a report on risk management to the Company Executive Management Board;
	+ preliminary consideration and approval of risk appetite, tolerance levels in relation to key risks;
	+ preliminary review and approval of the risk register, including measures to minimize risks and risk maps for it;
	+ review and approval of key risk indicators;
	+ preparation of proposals for organizing and maintaining an effective RMS;
	+ consideration of recommendations of external auditors, consultants and the internal audit service on risk management, consideration of the effectiveness of measures taken by the Company's divisions to resolve problems identified by external auditors, consultants and the internal audit service;
	+ other functions in accordance with the Regulations on the Risk Management Committee for the Company Executive Management Board.
	1. **The structural unit of the Company responsible for organizing risk management activities** performs the following functions:
	+ coordination and improvement of the risk management process in the Company and its subsidiaries and affiliates;
	+ ensuring the integration of risk management into other business processes and developing a risk culture in the Company and its subsidiaries and affiliates;
	+ control over the implementation by structural divisions of the Company of internal documents on the RMS;
	+ formation of proposals for the appointment of risk owners and risk coordinators;
	+ organization and coordination of the process of identifying and assessing key risks;
	+ initiating the development of an action plan to minimize risks by risk owners (within the Risk Register) and coordinating the work on its implementation;
	+ formation, together with risk owners, of the Register and risk map of the Company;
	+ review and approval of reports on risk management of subsidiaries and affiliates submitted for consideration to the governing bodies of subsidiaries and affiliates;
	+ generation and submission of summary reports on risk management to the Company Executive Management Board and Board of Directors in accordance with the procedure determined by the Board of Directors;
	+ participation in organizing a periodic assessment of the RMS of the Company's subsidiaries and affiliates, making proposals for the assessment of the subcomponent "Risk Management" as part of the diagnosis of corporate governance and preparing proposals for improving the level of development of the RMS in the Company and its subsidiaries and affiliates;
	+ approval of the Company's strategic investment projects in terms of sufficiency of disclosure and analysis of risk information;
	+ development, implementation and improvement (updating) of internal documents on risk management of the Company;
	+ informing the Company Executive Management Board and the Board of Directors about significant deviations in risk management processes;
	+ creation and maintenance of a database on realized risks;
	+ providing methodological and consulting support to employees of structural divisions of the Company/subsidiaries and affiliates;
	+ development of recommendations for subsidiaries and affiliates based on the results of the analysis of the RMS;
	+ interaction with the Internal Audit Service of the Company regarding the formation of an internal audit plan, exchange of information, discussion of audit results, exchange of knowledge and methodologies;
	+ putting forward proposals for conducting educational seminars and trainings on risk management for the Company’s employees;
	+ organizing and holding meetings and working meetings with the heads of the Company’s structural divisions on the identification and assessment of identified and potential risks of the Company, as well as methods for managing these risks;
	+ review and analysis of reports on realized risks of the structural divisions of the Company/subsidiaries and affiliates;
	+ participation in meetings of the Risk Management Committee for the Company Executive Management Board, preparation of minutes on its decisions and bringing them to the attention of the necessary circle of managers and employees of the Company;
	+ generation of proposals for the Risk Management Committee for the Company Executive Management Board regarding the amount of risk appetite and tolerance levels for key risks;
	+ conducting a comparative analysis with the experience of leading international and Kazakhstani companies in risk management;
	+ development of key risk indicators and formation of a panel of key risk indicators;
	+ providing reports to the Risk Management Committee for the Company Executive Management Board on the implementation of measures to minimize risks (within the framework of the Risk Register);
	+ monitoring the current status of key risk indicators, and based on this information, generating reports to the Risk Management Committee for the Company Executive Management Board.

The structural unit responsible for organizing risk management activities (risk unit) effectively plays the role of the second line, thereby increasing management’s confidence in achieving the Company’s goals. The risk department maintains a course for the continuous development of risk culture in the Company, including using adaptation course mechanisms for newly hired employees of the Company, providing documents on risks as part of the induction of members of the Board of Directors of the Company, mandatory and functional certification, SCRUM meetings etc. If necessary, the risk unit can initiate anonymous surveys on risks among the Company’s employees.

* 1. **Heads of the Company's structural divisions (risk owners, business process owners)** play a key role in the risk management process. Owners of risks and business processes are personally responsible for:

- timely identification and reporting of significant risks in the field of its activities and business processes,

- submission of proposals for risk management for inclusion in the action plan,

- implementation of approved measures to minimize risks and coordination of actions of event participants,

- timely provision of information about all realized risks to the structural unit responsible for organizing risk management activities of the Company.

The main functions of risk owners 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 reports on risk management, on the progress and results of measures to minimize risks and its submission to the structural unit of the Company responsible for organizing risk management activities for consolidation;
	+ participation in the development of methodological and regulatory documentation and the formation of proposals for methods and means of risk management within their competence;
	+ development of specialized methodological and regulatory documentation and the formation of proposals for methods and means of risk management, the owners of which are;
	+ development of measures to minimize risks with a clear indication of the main stages of their implementation and responsible persons based on an assessment of the effectiveness of current measures to minimize risks or in the absence of current measures;
	+ timely communication of the contents of action plans to minimize risks to the attention of stakeholders and implementers;
	+ implementation of approved measures to minimize risks, monitoring their implementation;
	+ timely response to realized risks, management of the process of implementation of relevant measures for subsequent impact on the risk event and communication of information to the Company Executive Management Board;
	+ exercising control over external/internal factors that could potentially lead to changes in previous risk assessment results, transferring relevant information to the structural unit of the Company responsible for organizing risk management activities;
	+ participation in the process of developing risk culture in the Company.

For the efficiency of organizing the work of the RMS in each structural unit, an administrative document appoints a risk coordinator, whose responsibilities include organizing risk management work in his structural unit and cooperation with the structural unit responsible for organizing risk management activities in the Company at all stages of the implementation of RMS procedures. In order to maintain and improve the risk culture, the Company familiarizes new employees with the current Policy (by signing the acceptance note) and periodically familiarizes the Company's employees with the current RMS of the Company as it is updated. Employees of structural units coordinating risk management issues (risk owners, risk coordinators and other employees) on the basis of an administrative document pass control testing (at least on an annual basis) to confirm the knowledge gained.

* 1. The main functions and responsibilities **of the Risk and Compliance Officer** are:
* development and improvement of the methodological framework for compliance risk management;
* assessing the effectiveness of measures and control procedures to minimize risks, including compliance risks;
* analysis of quarterly reports on risk management of the Company submitted to the Company Board of Directors;
* Conducting regular compliance risk assessments;
* formalization of compliance risk assessment results;
* determining the exposure of the Company’s activities and processes to compliance risk;
* systematic analysis of information received through confidential information channels that affects the degree of the Company’s exposure to compliance risk or risk of loss of reputation;
* other functions in accordance with the Regulations on the Company Risk and Compliance Officer Service.

# RMS functioning process

* 1. Risk management is a non-linear, multi-directional, cyclical process in which all elements influence each other. The process is constant, dynamic, continuous, within which information exchange and communication between RMS participants occur. RMS functioning process consists of stages according to Figure No. 2:



**External environment**

**Figure 2. Risk management process**

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

# Internal and external environment

* 1. The internal environment determines the Company’s general attitude towards risks and how its employees view and react to risks. The internal environment is the basis for all other components of the RMS, including 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 employees' understanding of risks and increases their responsibility for risk management. The internal environment shall 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 Company’s vision of risks;
	+ supporting a sense of ownership and responsibility for risks and risk management at the appropriate levels of the management hierarchy (Company, structural divisions, etc.);
	+ monitoring compliance of employees’ activities with the Company’s internal policies and procedures;
	+ timely information 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 government and financial bodies) is reflected in the internal environment and influences its formation. The external environment of the Company is complex in its structure and includes various aspects of the industry that are interconnected.

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

* 1. The Company determines the risk appetite that it is ready to accept to achieve strategic goals (strategic areas of activity). Risk appetite influences the allocation of resources, the organization of processes and the creation of infrastructure within the organization necessary for effective monitoring and response to risks.
	2. The determination of the Company's risk appetite on a consolidated basis is carried out by the structural unit responsible for organizing risk management activities and is submitted for approval to the Company's Board of Directors.
	3. In order to carry out effective monitoring and prevent the level of risk appetite from being exceeded, the Company applies tolerance levels to key risks.
	4. Tolerance levels for key risks are determined by risk owners based on two main approaches:
	+ subjective approach;
	+ objective approach.
	1. The process of determining risk appetite and levels of tolerance to key risks with a description of approaches is regulated by the Company’s internal document on determining and monitoring risk appetite and levels of tolerance to key risks, key risk indicators.

# Risk identification

* 1. To identify risks, a combination of various techniques and tools is used, such as risk identification based on set goals and objectives, industry and international comparisons, seminars and discussions, interviews, questionnaires, SWOT analysis, brainstorming, analysis of reports based on the results of audits and other inspections, Near Miss analysis, database of realized risks, etc.
	2. To classify risks, the Company uses risk grouping into the following categories:
		+ strategic risks;
		+ financial risks;
		+ compliance risks;
		+ operational risks;
		+ investment and project risks.
	3. The identified risks that the Company faces 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 the generation of management reporting on risk management. In order to more effectively manage risks, risk owners, if necessary, maintain specialized unconsolidated 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 unit responsible for organizing risk management activities; it is described in more detail in the Risk Management Rules of UMP JSC.

# Risk assessment

* 1. The risk assessment process is carried out in order to identify the most key risks that may negatively affect the Company’s activities and the achievement of strategic goals and objectives.
	2. Risk assessment is carried out at all levels of the Company on a regular basis as part of the risk monitoring process and the generation of management reporting on risk management. As necessary, in the event of significant changes in the Company's activities or changes in the environment, more frequent assessments should be carried out, which is necessary to ensure the Company's current risk profile.
	3. Initially, risk assessment by risk owners 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 on the risk map (Figure 3 “Risk Map”).
	5. The procedure for conducting qualitative and quantitative risk assessment is described in the Risk Management Rules of UMP JSC.
	6. To ensure the efficiency of the process and reduce the costs of its implementation, the Company shall 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 established in accordance with the position of each risk on the Risk Map.
	8. In addition to the assessment results, when prioritizing risks, the following criteria may be taken into account: the Company’s ability to adapt to risk and respond to it, the interdependence of risks, as a result of which the complexity of their management increases, the speed of influence 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 certain goals and objectives set for the Company, which arise from the approved Company Development Strategy, development plans and other internal documents. The company shall determine 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 annual activities (within the risk register) to manage key risks, which are mandatory for all structural divisions.
	3. Risk owners shall be responsible for implementing risk management activities.
	4. When determining risk management methods, the Company shall take into account the main factors influencing the choice:
	+ risk appetite;
	+ analysis of the costs and benefits associated with a particular risk management method.
	1. In accordance with COSO and ISO methodologies, the selection of risk response methods and the development of risk management activities in order to ensure an acceptable level of residual risk includes the following response strategies:
		+ risk reduction;
		+ risk financing;
		+ accepting or increasing risk;
		+ transfer or sharing of risk;
		+ risk aversion.

Risk treatment may create new risks or modify existing risks. Control includes a process, policy, equipment, method, or other action that modifies risk. Management cannot always influence the intended and intended effect being modified.

* 1. More detailed information on methods and action plans for risk management is presented in the Risk Management Rules of UMP JSC.

# Control actions

* 1. Control actions are included in business processes at all levels of the Company as part of the internal control system. Control activities include a wide range of measures such as approval, authorization, verification, reconciliation, transaction review, asset security and assignment of responsibilities.
	2. Responsibility for conducting an analysis of business processes and determining the need and feasibility of introducing additional control actions lies with the owners of business processes - heads of structural divisions of the Company.
	3. Based on regular reporting on risks and the internal control system, the Company monitors current risks and the implementation of measures to respond to risks.
	4. Employees and officials of the Company have the right to confidentially report to the Company Audit Committee/Board of Directors about violations or incorrect execution of risk management or internal control procedures or other policies, as well as cases of fraud, violation of the legislation of the Republic of Kazakhstan.
	5. More detailed information on internal control is presented in the Regulations on the internal control system of UMP JSC.

# Information exchange

* 1. The risk management structure in the Company ensures an adequate flow of information – vertically and horizontally. The goals of the process of regular exchange of information about the Company’s risks are to:
		+ assign personal responsibility for managing certain significant risks to risk owners;
		+ promptly bring to the attention of the Board of Directors of the Company information about all risks that shall be managed at the appropriate level of the Company;
		+ promptly bring to the attention of the performers of risk management activities information about their personal responsibility for the implementation of relevant activities (including the expected result, timing, resources, etc.);
		+ ensure effective exchange of information in the course of managing cross-functional risks of the Company.
	2. The Company shall communicate information on risk management to partners, creditors, external auditors, rating agencies and other interested parties, ensuring that the level of detail of the disclosed information corresponds to the nature and scale of the Company’s activities.
	3. The Company has two types of sources of information on risks: reporting generated by divisions and reporting generated by the Company. Requirements for the content of risk reports and deadlines for submitting reports are presented in the Risk Management Rules of UMP JSC.

# Monitoring

* 1. The Company monitors the risk management system (including existing management methods and risk controls) and, if necessary, modifies and improves it. Monitoring is carried out on a regular basis at least once a year.
	2. RMS monitoring is an important part of the entire business process and evaluates both the presence of such a system and the implementation of its components. Monitoring is carried out through continuous monitoring of the implementation of policies, procedures and activities of the risk management system and targeted audits. The scope and frequency of targeted inspections depends on the risk assessment and the effectiveness of ongoing monitoring. Disadvantages of the RMS shall be brought to the attention of the Company Board of Directors and the Executive Management Board.
	3. One of the main tools for monitoring risks and risk factors is key risk indicators (KRI). KRIs allow you to detect potential risks and take early measures to avoid the occurrence of risk events or minimize their impact on the organization’s activities.
	4. A detailed description of the process of determining KRI with examples and templates is regulated by the Company’s internal document on determining and monitoring risk appetite and levels of tolerance to key risks, key risk indicators.

# The relationship between the risk management process and the processes of strategic planning and operational activities, budgeting and motivation

* 1. The risk management process is based on the integration of its elements into the key business processes of the Company.
	2. The relationship between the risk management process and **the strategic planning process** includes (but is not limited to):
	+ the process of developing strategic plans should include the identification and analysis of risks that can influence the achievement of the set strategic goals;
	+ The Company's strategic plans shall include a set of measures aimed at minimizing risks associated with the implementation of planned strategic initiatives.
	1. The relationship between the risk management process and the **operational process** includes (but is not limited to):
	+ Risk management activities are included in the work plans of the Company/structural divisions;
	+ the risk owner shall objectively assess the time and administrative resources required to implement the risk management measures he proposes and reflect the resulting assessment in the appropriate risk report;
	+ employees of structural units shall be allocated the necessary time and administrative resources to carry out risk management activities;
	+ employees of the Company's structural divisions submit a report on realized risks.
	1. The relationship between the risk management process and the process **of investment and project activities** includes the following (but is not limited to):
* initiators of projects, including investment projects, in the process of reviewing and developing projects shall provide for the identification and analysis of risks that can influence the implementation and achievement of the project’s goals. A set of measures should also be provided aimed at 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 established consolidated risk appetite of the Company for investment activities. Project risk management processes are regulated in more detail in the relevant standards for project and investment activities of the Company.
	1. **the lending** process (when obtaining, providing credit, financial assistance and financial guarantees) includes the following (but is not limited to):
* initiators of the process of obtaining/providing a loan (raising/providing borrowed funds) shall include an analysis of risks for the financial stability of the Company in accordance with internal documentation on debt management and financial stability of the Company, but not limited to, analysis of the effect on compliance with standards established by the Management Board of the Company, external creditors (if availability);
* initiators of the process of providing credit (loans) and financial guarantees to counterparties shall include an analysis of credit risk in accordance with the internal documents of the Company.
	1. Relationship between the risk management process and the **budgeting process**:
* Prior to the approval of the Risk Register by the Company Executive Management Board/Board of Directors, risk owners shall provide the necessary financial resources for the implementation of risk management measures and work out this issue with the structural unit responsible for budgeting;
* The Company's development plan is developed taking into account a risk-based approach.
	1. **the staff motivation** process includes the following (but is not limited to):
* the responsibilities of RMS participants to perform all procedures provided for them by the system shall be enshrined in the Company’s internal documents;
* It is also recommended to provide incentive mechanisms designed to motivate the Company's managers and employees to act within the framework of the RMS properly, in accordance with established deadlines and targets.

# Requirements for risk information confidentiality

* 1. The procedure for working with documents and information about risks containing confidential information is carried out in accordance with FI 18.0027 and FI 18.0028.

# RMS effectiveness criteria

* 1. The effectiveness of the RMS is confirmed by the results of independent audits conducted by internal and/or external auditors or independent experts.
	2. The effectiveness of the RMS is assessed in accordance with the Methodology for assessing the effectiveness of corporate governance in legal entities; more than fifty percent of voting shares directly or indirectly belong to Samruk-Kazyna JSC.
	3. Determining the “effectiveness” of the risk management process is a matter of subjective judgment, resulting from an assessment of the presence and effectiveness of the risk management components. Thus, the main criteria for assessing the effectiveness of the RMS are:
* All components of the RMS are present and properly regulated;
* All components of the RMS function effectively and there are no significant deficiencies;
* The consolidated risk assessment is reduced to limits that do not exceed the Company’s risk appetite.
	1. Efficiency process management risks By each from four categories of
	goals specified in clause 10.2 of this Policy reasonably guarantee to the Company Board of Directors and the Executive Management Board that they own information in which degrees achieved strategic and operating goals of the Company, and also that the Company's reporting is reliable and the applied legislation of the Republic of Kazakhstan comply.

21.5. 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 internal control system. Decisions on the method of responding to risk and the creation of control measures should take into account the ratio of costs and results, however, despite the effectiveness of the RMS and internal control system, the Company recognizes that there are a number of limitations of these systems, such as:

1) poor professional judgment;

2) wrong decisions;

3) external negative factors beyond the control of the Company;

4) setting initially unattainable goals;

5) human factor;

6) the ability of the Company's personnel to bypass the implementation of controls;

7) the possibility of the Company's Management Board exceeding its powers;

8) possibility of staff collusion.

The limitations mean that the RMS and the internal control system do not provide an absolute guarantee of achieving the Company’s goals; however, the Company takes into account the existing limitations when developing the design of internal controls and selecting risk management tools.

# Appendices

* 1. Appendix 1 “Structure and content of the risk management report”;
	2. Appendix 2 “Deadlines for submitting risk management reports.”

**Appendix 1**

(mandatory)

**Structure and content of the risk management report\***

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

 *(Company/Company Facility) (Reporting period)*

1. Risk Map and Register:

Risk Map and Register for the forecast period, taking into account changes in risks for the reporting quarter (if any), including information on new risks.

Status of Tolerance and KRI for key risks.

Separate identification of critical risks, indicating the reasons for their occurrence and the Action Plan to respond to them.

Status of execution of the Response Action Plan in relation to critical risks for the reporting quarter.

Information on non-compliance with the Risk Response Action Plan (if any).

Changes for the reporting quarter in the Risk Response Action Plan (if any).

Report on compliance with the Risk Appetite and, if necessary, proposals for revising the Risk Appetite.

1. Reporting on financial risks and other risks in accordance with internal regulations on the management of certain types of risks.
2. Information on realized risks with a mandatory indication of damage (in quantitative, if it is possible to calculate it, and in qualitative assessment) and actions taken to respond to these risks with an assessment of the effectiveness of the measures. This section should also include information on accidents and disasters, industrial accidents.
3. Information on significant deviations from established risk management and internal control processes (if any).
4. Activities carried out to improve the RMS and internal control in accordance with the recommendations of the IAS (if any).
5. Information about the corporate risk reinsurance program implemented in accordance with the internal regulatory document on the organization of insurance protection.

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

**Appendix 2**

(mandatory)

**Risk management reporting deadlines**

Deadlines for reportingstructural unit responsible for organizing risk management activities:

|  |  |  |
| --- | --- | --- |
| **Doc Title**  | **Responsible** | **Delivery deadlines** |
| Report on the implementation of preventive measures | Structural units | Quarterly before the 10th day of the month following the reporting month |
| Report of the structural unit for risk management:- Report on realized risks- Report on forecast risks- Report on newly identified risks |

Deadlines for submitting consolidated reportsstructural unit responsible for organizing risk management activities:

|  |  |  |
| --- | --- | --- |
| **Doc Title**  | **Doc users** | **Delivery deadlines** |
| Risk Management Report | Risk Management Committee for the Company Executive Management Board | Quarterly, in accordance with the Work Plans of the Company Executive Management Board and Board of Directors  |
| Audit Committee of the Company Board of Directors, Company Board of Directors  |