APPROVED BY
Resolution of the Supervisory Board of
Samruk-Kazyna Invest LLP
minutes No. 893
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Байқаушы кеңес хатшысы
Секретарь Наблюдательного совета

Risk Management Policy
of Samruk-Kazyna Invest LLP

ASTANA, 2015

Table of Contents

1. General

1. This Risk Management Policy of Samruk-Kazyna Invest LLP (hereinafter referred to as the "Policy") have been elaborated in accordance with the applicable Kazakh regulations, in-house documents of "Sovereign Wealth Fund «Samruk-Kazyna" JSC (hereinafter referred to as the "Fund"), including without limitation the Fund's Risk Management Policy and in-house documents of Samruk-Kazyna Invest LLP (hereinafter referred to as the "Company").

2. The Company is aware of the significance of risk management being the key component of the Fund's corporate governance system, intended to ensure timely identification and mitigation of risks capable of adversely impacting the Company's value and goodwill.

3. The Company manages its risks by introducing its risk management system (hereinafter referred to as RMS) at every level within the Company. RMS is an array of interdependent components grouped into a common process, which enables the Company's Supervisory Board, its management and personnel at their individual levels to contribute into identification of events capable of affecting the Company's operations or manage such events within the risk level range that is deemed acceptable by the Company's Sole Member.

4. This document establishes:

- Organization of the Company's RMS;
- Common approaches to risk categorization employed by the Company;
- Successive stages of risk management and exchange of risk data within the Company;
- Monitoring of RMS monitoring and individual aspects of the Company's operations regarding risk management;
- Elements that link the Company's RMS with the planning, budgeting and incentivization processes;
- Recommendations to the effect of RMS introduction and RMS performance criteria of the Company.

5. This Policy also incorporates the following Annexes constituting an integral part hereof:

- Structure of and Requirements for the Minimum Contents of Risk Reports (Annex No.1);
- Timelines for Provision of Risk Reports (Annex No.2).

6. This Policy does not seek to cover all and any potential scenarios that may occur in the course of hands-on implementation of RMS, proceeding from the assumption that risk management, being a part of the day-to-day management process, should allow some freedom in employment of various management styles and creative approaches.

7. Both introduction and improvement of RMS is the prerequisite for accomplishment of the Company's strategic and operational goals and is one of its crucial short-term objectives.

8. The primary goal of RMS is to improve management of challenges and opportunities, thus facilitating the capitalization process. RMS also addresses the following issues:

- develop and apply uniform and consistent approaches to identification, assessment and management of the Company's risks, simplification of exchange of risk data that is effected both vertically (manage) and horizontally (share experience);
- enable the Company to track the quality of the Company's risk management on the basis of clearly defined and straightforward criteria;
- create a database to maintain records of assets, their market value and assess the share capital;
- promptly respond to any emerging risk events and monitor changes in both the inside and outside environment;
- conduct purposeful activities to manage risks with a view to bringing them down to an acceptable level;
- systematize and further accumulate information about the Company's risks, improve business governance;
- ultimately improve the Company's capitalization by boosting performance and streamlining the risk management process.

9. The primary objectives of the Company's RMS include:

- prevent occurrence of any events that threaten accomplishment of any strategic or operational goals;
- mitigate the effects of such events, whenever they occur, to an acceptable level;
- efficiently respond to any emergencies and stay in control thereof;
- keep the risk management process going on a continuous basis, which is a part of the general controlling environment maintenance process;
- provide stakeholders with reasonable guarantees that the Company efficiently manages its risks.

10. RMS is a tool that supports managerial decision making and day-to-day operations of the Company. That is the reason why RMS is supposed to contribute into a more powerful hands-on effect in the following lines of the Company's operations:

- *Strategic planning.* RMS is a simple and yet efficient tool of meeting the requirements established by strategic planning regulations with regard to identification, assessment and management of risks.
- *Budgeting.* Risk data and risk management plans may constitute a solid justification of the Company's request for resources, including without limitation financial ones.
- *Incentivization and performance assessment system.* Assessment of the risk management performance may be one of the criteria of assessing performance of the Company, its departments or individual personnel.
- *Inter-function and intra-group cooperation.* Inter-function and intra-group management plans are an efficient and transparent tool for allocating responsibilities and coordinating the activities of various departments in the course of risk management.
- *Proper monitoring of risks.* Risk assessment serves to justify whether it is expedient to consider or monitor a specific substantial risk at a higher management level within the Company.

11. RMS can in no way guarantee the Company's success, however efficient risk management that is both comprehensive and consistent company wide, may offer significant benefits:

- provide more certainty in terms of accomplishment of strategic and operational goals set in accordance with risks and the existing risk appetite, by identifying and managing multiple risks as a whole;
- mitigate any adverse unforeseen events, reduce instability and increase profits by causing the Company to adopt acceptable risks that are adequate for the scope of its operations;
- efficiently meet both legislative and regulatory requirements, as well as managerial ones;
- ability to track and respond to any outside changes or trends;
- improve the quality of decision making and increase transparency;
- exercise more thorough control over losses and expenses and maintain a cost-effective controlling environment;
- improve performance indicators;
- ensure timely identification of new opportunities and markets and convert them into capital.

12. RMS policies and procedures shall be introduced on a stage-by-stage basis; therefore the introduction and full compliance date depend on a specific development phase of the general RMS.

13. The mission hereof shall be to support the risk management system that enables the Company's Supervisory Board to efficiently manage and allocate recourses by priority areas to maintain a level of risk that is acceptable to the Company and get the highest return on such investments by identifying, assessing, managing and monitoring risks.

14. The goals hereof include:

- build an efficient comprehensive system and create an integrated risk management process, being a part of the Company governance, as well as continuous improvement of the operations based on best practices and a uniform harmonized approach to risk management methods and procedures, thus contributing into sustainability of the operations and protection of the Company's value against risks;

- cause the Company to adopt acceptable risks that are adequate for the scope of its operations;
- assess the risk appetite and ensure efficient management of risks that have been taken.

15. The objectives hereof include:

- lay a fully functional foundation for the decision making and planning processes;
- procure that a continuous and approved risk management process is in place that is based on timely identification, assessment, analysis, monitoring, and control to ensure that the set goals are achieved;
- introduce and improve a management system that enables prevention or mitigation of potentially adverse events;
- improve the efficiency of use or distribution of resources;
- prevent losses or damages by improving the Company's performance through protection of the Company's assets and its charter capital;
- ensure that business processes are efficient, both internal and external reports are accurate and legal requirements are met.

16. For the detailed description of the risk management methods and procedures, including reporting procedures and risk management report forms, duties, functions and responsibilities of those involved in management of key risks, risk management activities and other components of the risk management process, please refer to the Company's policies and procedures (including this Policy) approved by the Supervisory Board or the Company's Executive Body within the scope of competence of each body.

17. The Company shall take measures to build its risk management system in reliance on the international and global risk management best practices.

18. RMS related regulations shall be reviewed (as required) at least once a year to ensure that they meet the goals, scope and complexity of the Company's operations and the Company's risk management system, take account of the best practices in risk management and lessons learned, as well as new regulatory risk management requirements, experience and standards.

19. Development of the documents that regulate the risk management process shall be the responsibility of a structural subdivision responsible for risk management, which shall also be responsible for operation of the entire risk management system.

20. Risks shall be managed in the context of specific goals or objectives set before the Company, which ensue from approved strategies, development plans or other policies and procedures. The Company shall at least once a year determine its risk appetite i.e. its ability to take risks to reach its goals.

21. The Company shall exchange information to raise awareness of risks, develop its risk culture and efficiently manage risks. All employees shall get the management's timely instructions regarding risk management, and shall have a full understanding of their role, work to be performed, and how they should interact with their colleagues. The Company's management shall at all times be aware of the existing risks and management thereof. One shall also ensure that there's an efficient process of communicating with third parties, such as customers, partners, regulatory or supervisory bodies or shareholders.

22. RMS monitoring is an important part of the entire risk management process and shall assess both the existence of such system, and implementation of its components. Monitoring shall be conducted by continuously tracking performance of the Risk Management Policy, procedures, activities and conducting directed inspections. The scope and regularity of such directed inspections shall depend on risk assessment and efficiency of continuous monitoring.

23. Each employee of the Company shall to a certain extent be responsible for risk management.

24. The Company's management shall establish the rules and methods of risk management that are specific to the Company. The rules for and methods of assessment of the key financial risks that are common for most organizations of the Fund Group shall be established by the Fund.

25. This Policy shall apply to all and any types of the Company's operations. This Policy shall be reviewed by all and any structural subdivisions and personnel of the Company. In

performing their functions or completing their missions, the Company's personnel shall act in accordance with the provisions hereof.

26. This Policy or other risk management documents shall be accessible to every employee or officer of the Company on the Internet and/or via an internal corporate website. All and any changes in the risk management system shall be communicated to all employees and officers of the Company by email.

2. Key RMS terms and definitions, organization structure and levels of subordination

2.1 Key RMS terms and definitions

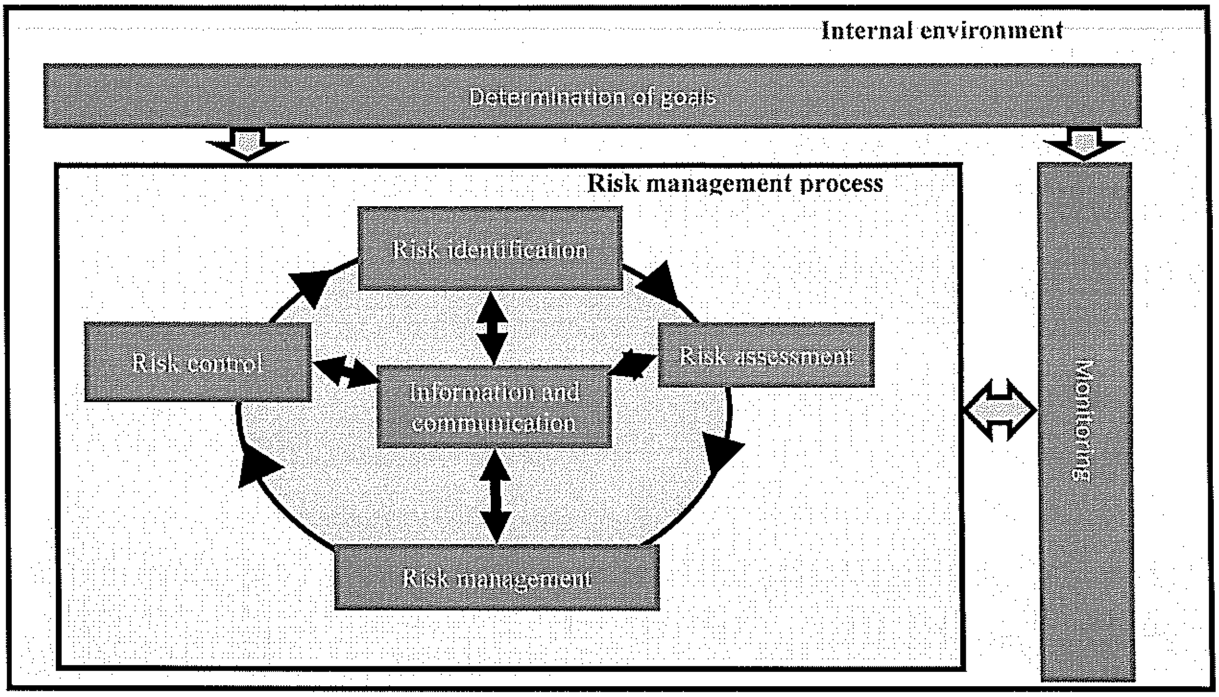
27. The following are the key terms and definitions used herein:

- **Risk** is a potential future event (or a confluence of circumstances), which, if realized, may have a substantial adverse effect on achievement by the Company of its long-term and short-term goals.
- **Risk appetite** shall mean a degree of risk that the Company views as acceptable in the course of achievement of its goals. The Company shall within its risk appetite determine acceptable boundaries of its risk appetite (e.g. limits of investment into one project, etc.).
- **Key risks** shall mean risks within the red or orange zone on the risk map.
- **Key risk indicator (KRI)** shall mean initial indicators that are an early indication of changes of risk factors in various areas of operations. KRIs make it possible to identify potential risks and take timely measures to avert risk events or mitigate their effects on an entity's operations.
- **Risk tolerance** shall mean an acceptable level of risk for achievement of a specific goal. Risk tolerance makes it possible to carry out efficient monitoring and prevents one from exceeding the maximum permissible risk level.
- **Risk owner** shall mean a person (employee/structural subdivision/collegial body) responsible for all aspects of risk management, inter alia, reduction of the likelihood of occurrence of a given risk and/or mitigation of potential adverse effects from realization of such risk on the Company.
- **Sole Member of the Company** shall mean "Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter referred to as the "Fund");
- **Risk Manager** shall mean an employee of a structural subdivision that is responsible for management of risks.
- **Outside persons** shall mean persons that are not employees of the Company.
- **Risk factor** shall mean conditions, situation or circumstances in which risk causes that lead or realization of a risk occur.
- **Outside risk factors** shall mean risk factors that occur outside of the Company's operations and are not dependent upon the Company's operations.
- **Inside risk factors** shall mean risk factors associated with internal processes, organization, human resources or assets of the Company that occur as part of the Company's operations.
- **Cross-functional networking in risk management** shall mean management of cross-functional (cross-process) risks (risks capable of affecting the goals of multiple functions (business processes) that is based on collective decisions reached jointly on the basis of information available to various functions (business processes).
- **Event** shall mean an incident or event that is triggered by a factor that is either external or internal to the entity, and that is capable of affecting achievement of the goals set.

2.2 RMS structure

28. Risk management in the Company is a steady, dynamic and continuous process that is comprised of the following components:

Figure 1: Risk management process



29. The internal environment defines the general stance taken by the Company with regard to risks and the way its personnel view and react to them. The internal environment underpins all and any other risk management system's components, it incorporates the risk management philosophy, risk appetite, control by managerial bodies, ethical values, competences and responsibilities of personnel, Company structure, its capabilities in accordance with available human, financial or other resources.

30. The Company's relations with the external environment (business structures, social, regulatory or other governmental and financial bodies) reflect themselves in the Company's internal environment and affect formation thereof. The external environment is structurally complex and covers various interconnected industries and creates conditions for emergence of systemic risks.

31. The focus of the Company is to create an internal environment that raises personnel's awareness of such risks and risk management responsibilities. The internal environment shall back the following operating principles used by the Company:

- identify and consider all forms of risk that occur in the course of decision making and support comprehensive perception of risks by the Company's management;
- create and assess at the Company's level a risk profile that best fits the Company's goal in general;
- support ownership of and responsibility for risks and management of risks at the relevant levels of the managerial hierarchy. Please note that risk management does not imply a shift of responsibility to others;
- monitor compliance with the Company's internal policies and procedures and state of the corporate governance system;
- provide timely information about substantial (critical) risks and drawbacks of the risk management system;
- maintain awareness that both the Policy and the procedures are binding.

32. The primary risk management principles of the Company include:

- **integrity** i.e. the integrated risk to which the Fund is exposed is viewed in the context of the corporate risk management system;
- **openness** i.e. it is prohibited to view the corporate risk management system as a stand-alone or isolated one;

- **structured nature** i.e. the comprehensive risk management system has a clear-cut structure;
- **awareness** i.e. risk management shall be accompanied by supply of unbiased, reliable and up-to-date information;
- **continuity** i.e. risk management shall take place on a continuous basis;
- **cyclical nature** i.e. risk management is a repeated structured cycle of its main components.

33. The structure of the Company's risk management system is represented by risk management at several levels with involvement of the following subdivisions of the Company: Supervisory Board, Executive Body and the structural subdivision responsible for risk management, or other structural subdivisions.

34. The Supervisory Board represents the first level. The Supervisory Board plays a pivotal role in supervising the corporate management system.

35. The Company's Supervisory Board shall exercise the following risk management functions:

- approve the Company's risk management policy;
- approve other risk management policies, rules and procedures of the Company;
- approve the levels of responsibility for monitoring of and control over the Company's risk by approving this Policy;
- set the Company's goals (both short and long-term ones);
- review the opinions of external auditors to improve the internal control and management of risks and the findings of audits conducted by the Auditor;
- approve the risk register and map of the Company and an action plan to manage critical risks;
- approve risk reports (for the structure and contents of risk reports please refer to Annex No.1);
- approve the risk and control matrix;
- approve the key risk indicators;
- review reports on risk management system performance;
- establish the forms and deadlines for submission of both financial and managerial reports to the Supervisory Board/Sole Member of the Company, enabling review and assessment of the Company's financial performance;
- approve the Company's risk management policy;

36. Second level - the Company's Executive Body responsible for maintaining an efficient risk management system and elaboration of a risk control structure to implement and follow the Company's policies. The Executive Body shall be responsible for developing the "risk awareness" culture, which shall be reflective of the risk management policy and the Company's philosophy. The Executive Body shall also be responsible for creation of an efficient risk management system so that the personnel have clearly defined risk management responsibilities and remain liable for performance of their duties.

37. The Executive Body shall ensure the integrity and operability of the risk management system by exercising the following functions:

- implement the Risk Management Policy;
- launch an efficient risk management system enabling identification and assessment of potential risks;
- provide the Supervisory Board with reports as required by the approved regulatory documents;
- procure that the provisions hereof are followed by the Company's structural subdivisions;
- approve the Company's organizational structure that meets its requirements and ensures proper control and reduction of risks;
- review the Company's risk management reports and take measures within the scope of its competence;

- improve in-house risk management procedures and regulations;
- approve response measures and risk management methods of the Company;

38. The third level of the risk management process is the structural subdivision responsible for risk management, whose functions shall without limitation include:

- organize and coordinate identification and assessment of critical risks, seek risk owners' approval of the risk register and critical risk map, key risk indicators, action plan of the Company on critical risks, and monitor implementation of such plan;
- prepare and submit information to the Executive Body, Supervisory Board of the Company and communicate all and any departures that may occur in the course of risk management;
- develop, introduce and update (as required) the methodological base, policies or risk management rules and risk monitoring procedures;
- approve the Company's investment projects with regard to whether risk information has been sufficiently disclosed and analyzed;
- cooperate with the Company's structural subdivisions and the Auditor to share data, discuss the findings of audits, share knowledge and methodologies;
- maintain a database of risks that realized themselves, track external factors that can considerably impact the risks;
- identify potential risk occurrences, actual or potential adverse trends that are exhibitive of higher risks, analyze risk causing factors and assess the scope of expected losses;
- issue proposals regarding educational workshops and trainings in risk management for the Company's personnel;
- provide methodological and advisory support to the Company's personnel on risk management matters;

39. For the responsibilities and authority of the personnel of the Company's structural subdivision responsible for risk management, and reporting requirements please refer to this Policy, regulations on a specific structural subdivision that is responsible for risk management, and job descriptions of the personnel of such structural subdivision of the Company that is responsible for risk management.

40. The personnel of the Company's structural subdivision responsible for risk management shall cooperate with other subdivisions or outside auditors and the Company's Auditor to efficiently achieve both goals and objectives of the risk management system.

41. The personnel of the Company's structural subdivision responsible for risk management shall have access to information and documents of the Company that may be required by them to perform their functions as outlined herein and job descriptions of such personnel.

42. The Company's structural subdivisions represented by each specific employee are one of the key elements of the risk management structure. The structural subdivisions (risk owners) need to realize that they play a key role in risk management. The Company's personnel shall on a daily basis deal with risks, manage them and within the scope of their duties monitor their potential effects. The structural subdivisions responsible for implementation of the risk management action plan shall in a timely fashion identify and communicate significant risks in their line of operations and issue risk management proposals for inclusion thereof into the action plan.

43. The main risk management functions of the Company's structural subdivisions include:

- identify and assess risks on an annual basis and conduct quarterly reviews thereof;
- implement approved risk response and management measures and submit regular reports to the effect of implementation of risk management measures;
- facilitate development of risk communication processes;
- provide information about risks that realized themselves;

44. To efficiently organize the risk management system each structural subdivision of the Company shall have a risk facilitator, who is responsible for risk management within his/her structural subdivision and cooperation with the subdivision responsible for risk management within the Company at every stage of implementation of the Company's RMS procedures.

2.3 Connection between risk management, strategic and operations planning, budgeting and incentivization

45. The goals of the Company's operations are defined at the strategic levels and form the basis for elaboration of operational goals. The Company is exposed to both internal and external risks and the primary tool for efficient identification, assessment and elaboration of risk management methods is the goal setting process.

46. The Company shall have its goals defined prior to identification of potential risks that can adversely affect achievement thereof. Risk management makes it possible to make sure that the Company has a goal setting process in place that is in line with its mission and the Company's risk appetite.

47. The Company shall on an annual basis or as appropriate establish alternative ways of achieving its goals and identify risks pertaining to such alternatives or events that are capable of affecting achievement of its goals. Such analysis is what risk identification is based upon.

48. Connection between risk management and strategic planning shall without limitation include the following:

- elaboration of strategic plans shall include identification and analysis of risks that are capable of affecting accomplishment of the existing strategic goals;
- the Company's strategic plans shall provide for a range of measures to mitigate any potential adverse effects of the main risks pertaining to implementation of planned strategic initiatives.

49. Connection between risk management and operations shall without limitation include the following:

- a risk owner shall reasonably assess both time and administrative resources that may be required for implementation of the risk management plan proposed by him/her/it, and make sure that the findings of such assessment are reflected in the relevant risk report;
- structural subdivisions' personnel shall have the required time and administrative resources to implement the measures outlined in the Risk Management Plans;
- The personnel of the Company's structural subdivisions shall provide the Company's structural subdivision responsible for risk management with reports on any risks that realized themselves.

50. Connection between risk management and investment activities shall without limitation include the following:

- any person initiating an investment project submitted to the Company's Supervisory Board for review shall in the course of review and development of such investment project identify and analyze risks capable of affecting implementation of the relevant investment project or accomplishment of such investment project's goals. One shall also provide for a range of measures to mitigate any potential adverse effects of the main risks pertaining to implementation of a project;

51. Whenever implementation of Risk Management Plans calls for provision of time or administrative resources from related functions (cross-functional risks) of the Company, the risk owner acting in conjunction with an employee of the structural subdivision responsible for management of risks, shall seek approval of allocation of the required resources by the heads of such subdivisions.

52. Connection between risk management and budgeting:

- prior to approval of the Risk Management Plan by the Executive Body, the risk owners shall provide for financial resources that may be required for implementation of such proposed Risk Management Plan and have this issue thoroughly addressed by the structural subdivision responsible for budgeting matters;
- Tables of factors and risks, being a part of the Development Plans, as required by the Rules for elaboration, approval, adjustment, performance and monitoring of Subsidiary Development Plans of "Sovereign Wealth Fund «Samruk-Kazyna" JSC shall be completed based on the approved risk register.

53. Connection between risk management and incentivization shall without limitation include the following:

- The responsibilities of RMS members regarding performance of all and any procedures as provided by the system, shall be formalized, and whether such responsibilities are performed or defaulted upon during a relevant reporting period shall be monitored;
- The recommendation is also to provide for different ways of rewarding personnel to encourage both the managers and personnel of the Company to properly act within the limits of the risk management system in accordance with the applicable timelines and targets.

3. How RMS works

3.1 Risk appetite calculation

54. Upon determination of its strategic goals (strategic development paths) the Company shall identify risks that may impede achievement of the goals set. The Company shall also determine its risk appetite i.e. the extent of risk that is acceptable to the Company in achievement of its goals.

55. The risk appetite establishes the highest level of critical risks that the Company is ready to take. It also affects allocation of resources, organization of processes and creation of infrastructure inside of the organization that may be required for effective risk monitoring and response.

56. The Company's risk appetite (risk appetite statement) for the planned period shall be approved by the Supervisory Board and shall have the following features:

- reflect the Company's strategy, including its goals, business plans, financial constraints and expectations of the parties concerned;
- cover all and any key aspects (areas) of operations;
- take account of the willingness and ability to take risks;
- outline the Company's attitude toward the risk;
- be regularly reviewed in accordance with the situation in the industry and market conditions;
- require that the risk itself be efficiently monitored;
- incorporate both quantitative and qualitative indicators;

57. Quantitative calculations of the risk appetite shall be done by the structural subdivision (person) responsible for risk management and shall be submitted to the Supervisory Board for approval.

58. In doing such quantitative calculations of the risk appetite the Company shall follow the principle of being conservative in its calculations and shall use financial data from several previous years to calculate average weighted indicators for a particular period, thus minimizing any random fluctuations. The average weighted indicators are then multiplied by threshold indicators.

59. If the Company forecasts negative profits or lacks long-term obligations for the planning period, the Company's risk appetite shall be assumed at 40% of the planned losses growth.

60. All and any findings or proposals regarding the Company's risk appetite shall be approved by the concerned structural subdivisions, including without limitation those that are responsible for strategy elaboration, planning and corporate financing.

61. The resultant risk appetite shall be assumed as the basis on which all and any risk management decisions are made.

62. The Company has been using risk tolerance to efficiently monitor and prevent any excess of the risk appetite levels from occurring. Risk tolerance shall be measured in the same units as similar targets.

63. The Company's Executive Body shall by its resolution approve the levels of tolerance to the key risks based on two below approaches:

- Objective approach. It takes account of the provisions of law, regulations, requirements of governmental supervisory bodies and in-house policies and procedures. In some cases the levels of tolerance to key risks are established as required by governing documents or regulations of governmental supervisory bodies. In the event of any changes being made by supervisory authorities the relevant threshold level shall be revised.

- Subjective approach. The levels of tolerance to the key risks shall be established by polling or questionnaire surveys of experts. Whenever such an approach is employed, the experts shall based on their experience and expertise establish the threshold level, which represents the level of tolerance to a key risk.

64. Tolerance to the Key Performance Indicators (hereinafter referred to as KPIs) shall mean a maximum permissible departure from KPIs, which shall be specified by KPI owners in the Development Plans (see the factor and risk table, column "Threshold KPI Value" (risk tolerance).

65. Operating within the key risk tolerance levels makes the management more confident that there will be no excess of the risk appetite. This, in the first place, makes the Company more confident that it will be able to accomplish its goals.

66. Approval of the risk tolerance is followed by risk tolerance monitoring. Risk tolerance levels shall be revised in case of emergence/discovery of new risks or occurrence of risk events. The structural subdivision responsible for risk management shall on a quarterly basis monitor compliance with risk tolerance levels for the key risks as follows:

- compare the actual risk tolerance departure vs. planned departure;
- in case of such a departure the structural subdivision responsible risk management shall jointly with the structural subdivisions concerned establish the causes and take additional measures to reduce exposure and level out the actual risk tolerance levels within the established planned corridor for each risk or revise it.

3.2 Risk identification

67. In accordance with the Risk Identification and Assessment Rules of Samruk-Kazyna Invest LLP the Company shall identify potential events that can affect the Company's activities and decide whether they are opportunities or risks. In identifying events one shall consider various internal or external factors that can bring about risks or opportunities companywide.

68. Risk identification is determination whether the Company is exposed to events, occurrence of which may have an adverse effect on its ability to reach its planned targets or accomplish its current goals. The goal of the risk identification procedure is to discover any risks and include them into the Risk Registry.

69. Risk identification and unbiased perception of the existing risks is one of the pillars of efficient risk management contributing into accomplishment of the Company's goals.

70. Risk identification is a tool for determining areas and need for improvement of the risk management process.

71. Risk identification makes it possible to boost confidence in achievement of the goals set by obtaining an overview of such risks, their key characteristics, connections between one another, ranking of risk levels by the Company, raise awareness of such risks and ways to eliminate them, as well as focus on the most critical risks.

72. Risk identification is a tool used to document and declare any potential adverse events that may negatively impact achievement of the goals and objectives of the Company or its individual personnel, and determine the area and need for improvement of the risk management process.

73. Each employee of the Company shall continuously identify and assess risks that affect achievement of the Company's goals and specific goals or objectives of each employee.

74. The Company's RMS seeks to identify a broad range of risks and view them as a whole thus presenting the big picture with regard to the existing risks and improving the quality of the risk analysis being conducted.

75. As required by the international risk management standards the Company shall regularly identify risks by engaging all personnel of its structural subdivisions to identify the broadest range of risks, raise awareness of surrounding risks and encourage development of the risk culture in the

Company.

76. To identify risks it uses a combination of various methods and tools, such as risk identification on the basis of the set goals and objectives, industry-specific and international comparisons, workshops and discussions, interviews, incurred losses databases, etc. which are in more detail described in the Risk Identification and Assessment Rules of Samruk-Kazyna Invest LLP.

77. Identified events and risks shall be systematized in the form of a risk registry. The Company's **Risk Registry** lists risks faced by the Company in the course of its operations, including various scenarios of potential realization of risks. For each risk one has defined risk owners i.e. subdivisions that have been dealing with such risk as part of their functional duties. The Company's structural subdivisions shall as new risks are discovered supplement the Risk Register.

78. Systematization of identified risks enables one to:

- make sure that categorization and quantitative assessment of risks is consistent, which enables one to improve comparison of the risk profile;
- provide a platform for development of more complex quantitative risk assessment tools or technologies;
- enable coordinated risk management and control by the Company.

79. It is recommended that risk identification and approval of the Company's Risk Register shall take place prior to approval of the Development Plans so as to ensure that expenditure requests associated with implementation of the risk management plan are filed in good time.

80. Risk identification and assessment data shall be submitted to the Executive Body and Supervisory Board of the Company in the form of a Risk Report, which shall contain information about critical risks and action plans to manage such critical risks.

81. To classify its risks the Company groups its risks into the following categories:

- **strategic risk (S)** shall mean the risk of losses as a result of changes or errors (defects) arising in the course of elaboration or implementation of the operations and development strategy, changes in the political environment, industry's downturn or other outside systemic factors;
- **financial risks (F)** shall include risks associated with the capital structure and a decline in the financial profits. Financial risks shall include market risks (fluctuations of interest and forex rates, fluctuations of prices of natural resources), liquidity risks, credit risks (for corporate counterparts, second level banks or requirements applicable in other countries);
- **legal risks (L)** shall mean risks of losses resulting from a failure to comply with the regulations applicable in Kazakhstan or in relations with non-residents of Kazakhstan - failure to meet the laws of other countries or domestic rules and procedures;
- **operations risks (O)** shall mean the risk of losses or occupational accidents resulting from defects or errors in internal processes caused by employees (including personnel risks), relating to the functions and operation of information systems and technologies (process risks), production safety and external events.

3.3 Risk assessment

82. Risk identification and assessment seek to provide the "big picture" of the existing risks and scope thereof via basic ranking to determine the "weakest" spots. The aforesaid process enables assessment of the key risk management methods and procedures being used.

83. Assessment of the probability of realization or potential impact of risks makes it possible to develop an understanding of risks, provides the required information base to reach decisions regarding management of specific risks or the most suitable and cost effective risk mitigation strategies.

84. The risk assessment process shall be conducted to identify the most significant (critical) risks that can have an adverse impact on the Company's operations or accomplishment of strategic goals and objectives. Such risks shall be submitted to the Supervisory Board for consideration, which shall make risk management and control decisions.

85. Both risk assessment and risk analysis conducted by the Company use quantitative,

qualitative analyses or a combination thereof, which form a basis of risk management methods.

86. Risk assessment includes review of the sources and causes of each risk, adverse effects of realization thereof and probability of occurrence of a specific event.

87. Risk assessment is initially conducted on a qualitative basis, and then for more significant risks a quantitative assessment may be performed. Any risks that fail to be assessed on a quantitative basis, or for which there's no reliable statistics for simulation or such simulation is not cost-effective, shall be assessed solely on a qualitative basis. Quantitative basis enables one to get more accurate analytical data and comes in particularly handy while developing risk financing methods.

88. All and any identified and assessed risks shall be reflected on a risk map. **The risk map** is a graphic or textual description of a limited number of risks faced by the Company, arranged in a rectangular table on one axis, which represents the extent of exposure to or criticality of a risk, while the other one represents probability or regularity of the occurrence thereof. The map has the probability or regularity shown on the horizontal axis, while the extent of exposure or criticality are shown on the vertical axis. In such case the probability of a risk increases left to right on the horizontal axis, and the exposure to a risk increases bottom to top on the vertical axis. **The risk map** shall enable assessment of a relative significance of each specific risk (vs. other risks), or identify risks that are critical and call for elaboration of measures to manage them.

89. Comprehensive identification and assessment of risks faced by the Company shall take place in accordance with the Company's Risk Identification and Assessment Rules.

3.4 Risk Management

90. The Company shall determine the risk response methods and develop the critical risk management plan.

91. Risk management is a process for development and implementation of the measures the help to reduce the impact and probability of losses or secure financial compensation in case of losses associated with the risks of the Company's business. To ensure efficient process and cut the related implementation costs, the Company shall focus on risks that may produce the most significant impact on its financial standing and achievement of the goals and objectives. Company's critical risk management plans shall be reviewed and approved on the annual basis by the Company's Supervisory Board and are binding for all its structural subdivisions.

92. The choice of risk response methods and development of risk management actions plans to ensure the acceptable level of residual risk shall include the following response strategies:

- risk mitigation and control – influence the risk by preventive measures and planning the actions if the risk realizes, which includes reducing the risk probability or changing the causes for occurrence and consequences of risk events in order to reduce possible losses;
- risk retention / assumption which means that its level is permissible, and that its possibility is accepted, residual risk can also be accepted after the related minimization activities;
- risk financing – risk transfer / sharing or partial transfer of risk to the counterparty, including the use of various facilities (making contracts, insurance agreements, determination of the structure) that enable responsibility and obligation sharing;
- risk aversion (evasion) / risk avoidance by deciding not to proceed with or to undertake the action that represents a source of risk.
- subsequent influence – a strategy that involves the influence on the consequences of a risk event. Usually, such strategy can be utilized with the poorly manageable risks and/or risks with low probability of realization. A strategy of this kind may include risk insurance and hedging, as well as development of emergency response plans, and business continuity plans.

93. Proposals concerning risk management strategies, methods and plans shall be submitted by the Risk Owners and included into the risk management action plan.

94. Company structural subdivisions acting as risk owners shall, on a quarterly basis, submit reports on the progress of approved action plans in the established form according to the Risk Identification and Assessment Rules.

95. **Risk mitigation and control** shall include the measures aimed at:
- preventing losses – reducing the probability of a certain risk event (losses);
- loss control – reducing losses in case of a risk event;
- diversification – distribution of risk to reduce its potential effects.

96. Risk mitigation and control methods involve introduction of the procedures and processes in the Company aimed at reducing the possibility of losses.

97. Company's financial risk mitigation and control methods shall include:
- proactive efforts in relation to the Fund for Ensuring the Company's Revenues by participation in the Fund's investment activities,
- diversification of the deposits portfolio that involves depositing large amounts of temporarily available funds to second-tier banks;
- as regards investment risks – setting financing limits, conducting analysis of the risks of investment projects.
- as regards liquidity risks – setting limits concerning the Company's debt leverage ratio. Limits for the debt leverage ratio and financial sustainability shall be regulated by the Fund's Debt and Financial Sustainability Management Policy.
- the risk of losses resulting from shortcomings or errors in internal processes caused by the employees (including personnel risks), risks relating to functionality of information systems and technologies (technological risks), as well as risks related to external events.

98. Company's legal risks mitigation and control methods shall include monitoring changes in the law by the legal department of the Company whose shall, jointly with involved structural subdivisions, assess the impact of such changes on the Company's business and develop the measures required. Any document regulating the Company's internal procedures or according to which the Company assumes any obligations, shall be reviewed by the Company's legal department.

99. Company's strategic risk shall be mitigated and controlled by *monitoring the performance* of approved short- and long-term plans and strategies following the results of which corrective actions shall be taken including those aimed at responding to the changes in internal and external environment.

100. Company's operating risks shall be mitigated and controlled by conducting analysis of the business processes in place and developing the related improvement action plans, as well as implementing a system of internal controls.

101. Should the utilized risk mitigation and control methods be connected with the company's costs, and such costs are material, the following shall be analyzed:
- are the measures in question really necessary, and can they be reduced by risk retention and/or financing (shifting);
- what is the alternative cost of measures compared to the cost of risk retention/shifting.

102. **Risk retention**: As part of identification and assessment of key risks the Company's risk appetite shall be estimated.

103. The Company's risk appetite shall be funded from the Company's current revenues and undistributed income of previous years, and shall not be directly allocated for contingent losses (i. e. the losses resulting from risk events shall directly reduce the Company's profits).

104.**Risk financing (shifting)** shall include the following tools:
- insurance (as regards "net" risks – the risks whose occurrence results in losses only, and would not help to generate revenues);
- hedging (as regards "speculative" risks – the risks whose events may result in both losses, and revenues);
- contract risk shifting (shifting the responsibility for the risk to the counterparty for additional fee or relevant increase in the contract value);
- other alternative risk financing methods.

105. The key distinctive feature of such tools is that they involve a "fee" for the risk, which therefore requires optimal utilization of this tool to reduce the Company's costs.

106. **Risk avoidance / aversion** includes activities aimed at termination of or withdrawal

from transaction that may result in negative effects for the Company.

107. The most suitable option shall be chosen taking into account the need to balance the costs connected with a given method, along with the advantages of its use as well as other direct and indirect costs.

108. The use of appropriate risk response measures and methods is described in the critical risk management action plan. The plan includes a list of actions to be taken and responsible employees.

3.5. Monitoring activities

109. Following the determination of the list of key risks and risk management activities, key business processes exposed to such risks shall be determined. A step-by-step analysis of business processes shall be conducted to determine whether it is necessary and reasonable to take respective monitoring activities. In addition, the scheduled risk management measures shall be analyzed and monitoring activities and/or their indicators determined as are necessary to ensure efficiency of such measures (monitoring activities themselves quite often represent a risk management method).

110. Monitoring activities are the policies and procedures that help to undertake the risk management measures. Monitoring activities include a wide range of measures such as approval, authorization, verification, obtaining consents, analysis of operations, asset security and distribution of responsibilities.

111. The responsibility for analysis of business processes and determination whether it is necessary and reasonable to take any additional monitoring activities shall lie with the risk owners – heads of the Company's respective structural subdivisions.

112. The key outcomes and findings of the Company's risk management process shall be recorded in regular reports concerning risks and related risk response measures.

113. On the basis of the regular risk reports the Company shall monitor current risks and related risk response measures.

114. The Company's employees and officers shall be entitled to notify the Company's Supervisory Board in a confidential manner of any infringement or incorrect performance of the risk management or internal control procedures or other policies, as well as of any fraud or breach of law.

3.6 Monitoring and information sharing

115. The Company's risk management structure ensures adequate data flow, both vertical and horizontal. The bottom-up data flow provides the Company's Supervisory Board and Executive Body with the information on day-to-day activities, risks assumed in the regular course of business, their assessment, control, related response methods and risk management level. The top-down data flow ensures the goals, strategies and targets are communicated through approval of internal documents, regulations and instructions. The horizontal data flow involves interaction between the Company's internal structural subdivisions and between the subdivisions responsible for risk management activities.

116. The goals of the Company's regular risk data sharing activities include:

- assign personal responsibility for management of significant risks to relevant managers (risk owners);
- timely communicate to the Company's Supervisory Board the information of all the risks to be managed at a given level of the Company;
- timely communicate to the persons responsible for risk management the information of their personal responsibility for relevant activities (including the expected outcomes, timelines, available resources, etc.);
- ensure efficient data sharing in the course of management of the Company's cross-functional risks.

117. In the course of implementing each component of the risk management system the

information shall be shared between the Company's structural subdivisions. All the materials and documents prepared within the risk management system shall be coordinated with the interested Company's subdivisions that shall provide their comments and proposals. At least once a year the following shall be submitted for review to the Supervisory Board: proposals concerning the Company's risk appetite, risk register, risk map, and risk management action plan.

118. The information sharing and communication within the Company shall help to provide those involved in the risk management process with the reliable and timely information on risks, and improve awareness of the risks, risk response methods and tools. Appropriate information shall be determined, documented and provided in the form and within the periods that enable the employees to efficiently perform their functions.

119. Company's structural subdivisions shall steadily monitor and notify the structural subdivision dealing with risk management of the events that increased the risks. Root cause analysis shall be conducted with respect to each risk event, and relevant preventing measures shall be taken to avoid such incidents in future.

120. The Company shall submit the risk information to the Fund to be able to consolidate it and notify the Fund's Management Committee and Board of Directors according to the approved regulations.

121. The structural subdivision responsible for risk management shall prepare financial risk report (foreign exchange, interest rate, credit, insurance risks and reports concerning risk limits) on the basis of the information received from the Financial Department and shall submit the reports to the Fund.

122. The Financial department shall provide the information of financial risks on a quarterly basis on or before the 20th day of the month following the reporting quarter to the structural subdivision responsible for management of the Company's risks.

123. The Company shall communicate the risk management information to its partners, creditors, external auditors and other stakeholders (including as part of the annual statement) ensuring that the level of detail of the disclosure corresponds to the nature and scale of the Company's business.

124. The Company shall monitor performance of the risk management system (including the existing risk controls and management methods) and, as necessary, modify and improve it. The risk management system monitoring is an important part of the entire business process and shall assess both the existence of such system, and implementation of its components. Monitoring shall be conducted by continuously tracking performance of the risk management policy, procedures, activities and conducting directed inspections. The scope and regularity of such directed inspections shall depend on risk assessment and efficiency of continuous monitoring.

125.Monitoring activities shall be conducted on a regular basis at least once a year according to the basic principles, policies, and rules established for the Company's Supervisory Board.

126. One of the key risk monitoring tools and risk factors is represented by key risk indicators (the KRI). KRIs shall mean the organization's indicators that are an early indication of changes of risk factors in various areas of operations. KRIs make it possible to identify potential risks and take timely measures to avert risk events or mitigate their effects on an entity's operations.

127. KRIs shall be developed at least for the risks of impact level "four" or higher, which can help to manage all the critical risks.

128. For the purposes of improving the risk monitoring performance the Company shall utilize KRIs based on two approaches:

- KRIs are determined on the basis of risk factors – risk facts are determined for each key risk. Risk factors may be both external and internal for the Company. Risk factors shall be analyzed for measurability. Respective measurement units and indicator measurement frequency shall be determined for each risk factor. They may take the form of coefficients, percentages, numbers, etc.
- KRIs are determined on the basis of preventive risk management measures – the structural subdivision responsible for risk management activities shall, with assistance of the

involved Company's structural subdivisions, determine the unit for measuring the level of execution of each preventive risk management measure, and the frequency of measuring the indicator, as well as the source of inputs for calculations. The KRI developed on the basis of preventive measures may be expressed as a percentage or as actual performance of preventive measures.

129. KRI thresholds shall be determined using objective and subjective approaches:

- the objective approach is based on the existing laws of the Republic of Kazakhstan, regulations of governmental supervisory authorities and Company's corporate requirements.
- the subjective approach shall be based on the inquiry or questionnaire among the Company's key employees who are considered experts in the relevant field. The experts shall determine the KRI threshold on the basis of their experience and knowledge.

130. The developed KRIs shall be included into risk register and approved along with the risk register, risk map and risk appetite for the next year. The KRI information shall include:

- KRI;
- calculation formula;
- source if inputs;
- measurement unit and frequency;
- KRI value range indicating a possibility of the risk event;
- threshold.

131. The corporate risk management system monitoring is an important part of the entire business process and shall assess both the existence of such system, and implementation of its components. Monitoring shall be conducted by continuously tracking performance of the risk management policy, procedures, activities and conducting directed inspections. The scope and regularity of such directed inspections shall depend on risk assessment and efficiency of continuous monitoring.

132. Following the Supervisory Board's approval of the critical risk management action plan, the structural subdivision responsible for risk management activities shall monitor performance of the relevant measures within the period available for each measure to be undertaken.

133. For minimum requirements to the risk report please refer to Annex 1 hereto. For the deadlines for submission of consolidated risk reports to the Company's Executive Body and Supervisory Board please refer to Annex 3 hereto.

4. Risk data confidentiality requirements

134. Permissions for officers of the companies of the Company's group to access detailed descriptions, assessments or management action plans with respect to certain risks shall be granted by Risk Owners.

135. Members of the Company's Supervisory Board, Investment Committee and the personnel of the subdivision responsible for risk management shall have unlimited access to any information of the Company's risks.

136. External persons may be permitted to access risk information and risk management action plans subject to entering into a non-disclosure agreement.

137. Such documents as Risk Management Policy, and Risk Identification and Assessment Rules shall be open and available for use by the general public.

5. RMS performance criteria

138. The RMS performance may be assessed on the basis of the following quantitative and qualitative criteria:

- The risk management process shall be continuous and linked to the processes of strategic and operational planning, budgeting, and personnel motivation;
- The information generated by the RMS shall be actively utilized and taken into account in making managerial decisions, including those relating to prioritization of goals and efficient

distribution of available resources;

- In the long-term prospect the RMS shall not act as a resource consumer, but as a resource economy tool;
- Performance of the Company's RMS shall be checked by independent audits conducted by in-house and/or external auditors or independent experts, and shall be recognized by the members of the Supervisory Board and heads of structural subdivisions, Company's employees, governmental authorities, and mass media.

Annex 1. Structure of and Requirements for the Minimum Contents of Risk Reports

1. Risk map and register:
   a) Risk map for the forecasting period, changes in the risk map in the reporting quarter along with details on changes in the key risk dynamics.
   b) Special focus on critical risks specifying their causes, probability/impact reduction action plan, qualitative/quantitative impact assessment.
   c) Risk register for the forecasting year, risk register with adjustments made on a quarterly basis, as necessary.
   d) Risk management action plan once a year, amendments to the risk management plan made on a quarterly basis , as necessary.
   e) Performance of the risk management action plan on a quarterly basis with assessments of performance of the measure undertaken in the reporting period.
   f) Newly identified risks (threats) specifying their causes, probability/impact reduction action plan, qualitative/quantitative impact assessment.
2. Risk appetite for the reporting period (once a year) adjusted risk appetite on a quarterly basis, as necessary.
3. KRIs for key risks and their dynamics, including the KRIs that may significantly affect the risks portfolio.
4. Financial risks report:
   a) Financial risks according to the Rules for Management of Certain Financial risks (foreign exchange, interest rate, country, credit risks, risks with breakdown by corporate counterparties and credit risk by counterparty banks).
   b) Information on compliance / non-compliance with the risk limits, including the limits applicable to counterparty banks.
   c) Financial sustainability report including the information of the debt leverage ratio and performance of covenants according to the Debt and Financial Sustainability Management Policy of Samruk-Kazyna JSC.
5. Report on critical operating risks along with their qualitative / quantitative assessments.
6. Report on risks of investment projects including the realized risks of investment projects.
7. Information on risk events (on a quarterly basis) specifying the damage (as quantitative, if it is possible to calculate, and qualitative assessments) and the response activities undertaken against such risks along with performance assessment of the measures undertaken. Comparative analysis of losses from risk events over the period (on a quarterly basis) against the approved risk appetite. This section shall also provide the information on the emergencies and occupational accidents (including the information on the number of injured persons including the number of deaths).
8. Information on material deviations from effective risk management processes, as necessary.
9. Information on compliance with risk management regulations;
10. Statement of the executive body containing confirmation of efficiency / inefficiency of the risk management system.

Annex 2. Timelines for Provision of Risk Reports

The following is a list of risk management reports that shall be mandatory for the Company:

- reporting forms for each individual risk (to be submitted according to the approved package of managerial reporting forms);
- financial sustainability report (to be submitted according to the Debt and Financial Sustainability Management Policy of Samruk-Kazyna JSC (to be included into the financial risks report);

- risk report approved by the Company's management body. Periods for the Company's submission of the risk reporting forms (in established form) and the risk report:

Document	Document User	Submission Period
Reporting form of the managerial reporting system (including) risk reporting forms	Fund's Risk Management Department	For the 1st and 3rd quarters reporting date + 35 calendar days for the 2nd and 4th quarters reporting date + 45 calendar days
Risks report including Financial Risks Report	Company's Supervisory Board	on or before the 25th day of the month following the reporting quarter according to the Supervisory Board schedule.