 KMG Kashagan B.V.	PCLL "KMG Kashagan B.V."
Document title: Risk Management System Policy of PCLL "KMG Kashagan B.V."	
Document Type: Policy	page 1 of 17
Developed by: Tursumbayeva A.T.	Approved by resolution of the Board of Directors of PCLL "KMG Kashagan B.V." dated 30.06.2022

1. General provisions

1. 1. This Risk Management Policy defines the goals, objectives, principles, and methods of risk management, as well as the organization of risk management in PCLL "KMG Kashagan B.V." (hereinafter – the Company), including the branch of PCLL "KMG Kashagan B.V.", represented in the Republic of Kazakhstan (hereinafter - the Branch).

1. 2. The Company's Risk management system (hereinafter - RMS) allows management to assess and manage risks in a situation of uncertainty, which is an integral factor in preserving the value of the Company.

1. 3. Company's risk management based on this Policy is the basis for the functioning of the RMS.

2. Scope of application

2. 1. This Policy is applied to all types of activities of the Company. The Policy is mandatory for familiarization and application by the Managing directors of the Company, all structural units, all employees of the Company and the Branch.

2. 2. The Company maintains a risk management policy based on the nature of its operations, but without violating the applicable policies.

3. Basic terms, definitions, and abbreviations

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

Risk Owner - a Branch employee holding a position of at least a deputy general director of the Branch with direct subordination to the general director of the Branch, who, by virtue of his job responsibilities, must manage production/non-production risk, ensuring the achievement of approved performance targets and functional tasks;

Risk factor owner – a Branch employee holding a position not lower than the level of the director of the structural unit/chief accountant, who by virtue of his job responsibilities must manage the risk-factors, the implementation of which may lead to the occurrence of production/non-production risks;

Goals owner – the general director of the Branch, who manages the Branch, who is responsible for achievement of an approved production/non-production targets;

external risk factors - risk factors that arise outside the Company's operating activities and are independent of the Company's activities;

internal risk - risk factors related to internal processes, organizational structure, human resources, assets of the Company and arising within the framework of the Company's operating activities;

internal documents on the risk management system - are the Policy on the Company's risk management system, Rules of organization of the Company's risk management process, Methods of identification and assessment of risks, selection of methods of the Company's risk management;

KMG Group of companies - KMG and legal entities in which fifty or more per cent of the voting shares (participatory shares) directly or indirectly owned by KMG under the beneficial title or trust management, as well as legal entities in which KMG has the right to control;



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 2 of 17	

S&As - subsidiaries and affiliates, including jointly controlled organizations and joint ventures of KMG;

Unified Risks Classifier (URC) - a systematized list of risks by the KMG Group of companies with unified names of risks, risk-factors grouped by the following criteria: area, category, group, name;

risk map – a graphical representation of the Company's risks depending on the estimated value of their potential damage and the probability of implementation;

Company - a Private company with limited liability “KMG Kashagan B.V.”

Control procedures (means of control) - are measures developed by the Risk owner/Risk factor owner, which represent the actions of employees that ensure management and response to risk/risk factors on the part of the Risk owner/Risk factor owner;

corporate risk management system (CRMS) – a set of principles, methods and procedures that ensure the organization and effective functioning of risk management processes at all levels of the KMG Group of companies;

KPI – corporate key performance indicators of the Company's activity;

critical risk/risk factor - a risk/risk factor characterized by a high probability of occurrence and a high amount of potential damage, reflected on the risk map in the red area;

non-production risk – risk arising in non-production (supporting) processes;

ensuring the continuity of operations – strategic and tactical ability to plan its activities in case of an incident and disruption of its activities, aimed at ensuring of continuity of operations at an established acceptable level;

production/non-production risk area – a consolidated evaluation of residual value of production/non-production risks;

residual risk/risk factor - the level of risk/risk factor that remains after the implementation and completion of planned measures to prevent the realization of risk/risk factor;

Responsible unit - the Branch's structural unit or the Branch's employee who owns the risk management process, whose functional responsibilities include organization and control over the functioning of the risk management process;

measures to ensure continuity of operations – a set of procedures, information, and actions that have been developed to be used in the event of an incident, and are aimed to ensure that the Company can continue to perform its critical activities at an established acceptable level;

Risk management system policy – includes the vision, goals, objectives, and principles of the RMS, describes the relationship of the risk management process with the business processes of the Company;

inherent risk/risk factor - the level of a risk/risk-factor without consideration of planned actions for preventing realization of a risk/risk factor;

production risk – the risk arising during the production process;

operational activity processes (for the purposes of this Policy) - the operating activities processes include the following business processes of the Company: production, transportation, marketing, and sales;

Risks Register – a form of record in which identification, assessment, reassessment, monitoring of production/non-production risks is performed;

risk - a potential event in the future that, if implemented, could have a negative impact on the Company's achievement of its strategic and operational objectives;

risk appetite – the amount of risk and/or loss that the Company is ready to accept when achieving its strategic and operational goals;



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy		page 3 of 17

Risk Coordinator - the responsible employee of the Structural unit appointed by the Risk/risk factor owner, who is responsible for organizing and coordinating risk/risk factors management activities in their Structural unit and interacting with the Responsible unit;

a risk factor - a reason leading to realization of the production/non-production risk;

corporate risk management system (CRMS) – a set of principles, methods and procedures that ensure the organization and effective functioning of risk management processes at all levels of the KMG Group of companies;

Structural unit – a structural unit included in the organizational structure of the Branch, which is not the Responsible unit;

continuity management – a management process providing for identification of potential threats and assessment of their impact on the Company’s activities; the process creates the basis for the increase of Company’s sustainability against incidents through effective response measures to secure interests of stakeholders, business reputation, the brand, and activities of the Company;

risk management - a continuous process carried out by the management, employees of the Company and the Branch in order to identify potential events that may affect the Company's activities, maintain degree of their impact within acceptable (established) boundaries for the Company, and apply in strategic and operational management to provide reasonable assurance in terms of achieving strategic and operational goals.

risk tolerance level – the acceptable level of risk at which the Company maintains financial sustainability is determined in relation to a certain key risk by the Risk owners and the responsible unit;

risk management process participants – the employees of the Company and the Branch involved in the risk management process;

Branch - Branch of a private company with limited liability “KMG Kashagan B.V.”

4. Goals and objectives

4. 1. In accordance with the established goals and objectives of the CRMS, the objectives of the RMS are:

1) reducing the negative impact of an external and an internal factor on the ability to achieve the goals of the Company's activities;

2) ensuring timely organization of the identification and risk assessment process in accordance with an internal document of the RMS;

3) proper management and control of risks associated with the implementation of the Company's processes;

4) determination of the areas of responsibility of the Board of Directors of the Company, Goals owner, Risks owners and Risks factors owners of in the field of management of production non-production risks;

5) timely submission of risks reporting, as well as full information on the status of production/non-production risks and the implementation of measures for their management, implemented risk events, to the Responsible unit of KMG.

4. 2. The objectives of the RMS are:

1) determination of the level of risk appetite of the Company in accordance with the Methodology of identification and assessment of risks, selection of the method of risk management of the Company;

2) prevent the realization of risks and reduce their consequences to an acceptable level;

3) informing the members of the Board of Directors of the Company on issues of risk management;

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 4 of 17	

4) improve risk culture and integrate risk management process into all aspects of the activities of the Company and the Branch.

5. RMS principles

5. 1. The Company's risk management policy is based on the following principles of the CRMS of the KMG Group of companies:

1) **the unity of the methodological base:** the processes in the RMS are implemented on the basis of unified methodological approaches across the KMG Group of companies

(2) **continuity** - the RMS operates on a continuous basis;

(3) **complexity** - the RMS covers all areas and all types of risks arising within its framework;

4) **accountability** - the organizational structure of the RMS determines the competence in decision-making and control in the field of risk management;

5) **information awareness and timely communication:** risk management process is accompanied by the availability of fact-based, reliable, and up-to-date information;

6) **rationality** - the Company rationally uses resources to implement risk management activities, ensuring cost-effectiveness of risk management activities;

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

9) **precise regulation** - all operations shall be conducted in accordance with the procedures for their implementation established by internal documents;

10) **active participation of management** - the management of the Company and the Branch takes an active part and provides support in the implementation and improvement of the risk management system.

6. Process of RMS functioning

6. 1. Relationship of risk management process with business processes of the Company.

6.1.1. The relationship of the risk management process with the strategic planning process includes the following (but may not be limited to the mentioned below):

1) the process of development of Strategic objectives of the Company, in particular the Development strategy of the North-Caspian project of the Company, shall include identification and analysis of risks that can affect the achievement of the set strategic goals;

2) Management of the Company and the Branch shall provide a set of measures aimed at minimizing the potential adverse effect of the risks associated with the implementation of planned strategic initiatives;

6.1.2. The relationship of the risk management process with the RMS includes the following (but may not be limited to the mentioned below):

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

2) the Company shall strive to:

- manage production/non-production risks based on internal risk factors. Losses in physical volumes and in monetary terms due to production/non-production risks for domestic risk factors should be minimized.

6.1.3. The relationship of the risk management process with the processes of operating activities includes the following (but may not be limited to the mentioned below):

1)) the Goals owner, Risks owners and the Risk factors owners shall:

- identify and assess production/non-production risks and their inherent risk factors affecting of KPIs;

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”
Policy	page 5 of 17

- assess objectively the time and administrative resources required to implement the proposed activities to the Action plan for management of production/non-production risks and reflect the status of risk/risk factors in the quarterly risk reporting;

2) the Branch's Structural units submit quarterly risk reports and information on realized risk events in accordance with internal risk management documents;

3) the initiators of the issues submitted for consideration by the Internal Control Committee and the general director of the Branch in their submittals (presentations include items describing the risks, their assessment, Action plan, and recommendations for managing operational risks.

6.1.4. The relationship of the risk management process with the liquidity and cash flow management process includes the following (but may not be limited to the mentioned below):

1) Risk factors owner, who owns the business process in carrying out treasury transactions shall assess and analyze the impact of risk factors in order to comply with the principles of safety (capital safety), liquidity (ability to convert assets into monetary instruments in the shortest possible time) and profitability (the maximum income that can be obtained subject to compliance with the principles of security and liquidity) according to the Treasury Transactions Corporate Standard of JSC "National Welfare Fund “Samruk-Kazyna” (hereinafter – the Fund);

2) cash flow management is carried out taking into account:

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

- to achieve the optimal combination of risk and profitability in selecting the most profitable and safe financial instruments for investing temporary free money;

- forecasts of cash flows and optimal distribution of monetary position by composition in order to mitigate risk factors affecting liquidity.

6.1.5. The relationship of the risk management process with the human resource management process includes the following (but may not be limited to the mentioned below):

(1) the responsibilities of the participants of the RMS for the implementation of all procedures provided for by the RMS should be formally established with the mandatory condition to monitor the performance of the relevant duties during the reporting period;

2) it is also recommended that incentive mechanisms be established to encourage management and employees of the Company and the Branch to act within the RMS properly, in accordance with established timelines and target indicators.

6.1.6. The relationship of the risk management process with the business continuity processes includes the following (but may not be limited to the mentioned below):

1) the Company shall introduce and formalize the continuity process and its operation, as appropriate;

2) Risks/Risk factors owners should identify potential threats affecting business continuity and assess their impact, if necessary;

3) Risks/Risk factors owners should define requirements, develop, and implement reliable and effective continuity measures, if necessary;

(4) business continuity arrangements shall, if necessary:

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

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

- to identify all responsible employees for the implementation of measures for the restoration of activity;

6. 2. The process of operation of the CRMS is implemented through 7 (seven) interrelated processes of the RMS integrated into the business processes of the Company management:

1) goals setting;



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 6 of 17	

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

6.1.2. Goals setting

6.2.1.1. Goals setting is the company's most important process in which strategic, medium, and short-term planning goals are cascaded and linked.

6.2.1.2. RMS is integrated into the processes of strategic planning, budgeting, motivation through the process of Goals setting. Setting Goals of the Company to realize the goals of strategic, medium-term, short-term planning leads to the construction of a goals tree. By setting goals for management, the Company strives to achieve approved performance indicators.

6.2.1.3. For the RMS purposes, setting Company goals has the following meanings:

- first, the top-down cascading of goals shall lead to personification of goals that means that each goal is assigned to a particular official responsible for implementation of the set goal. The construction of the goal tree shall lead to the top-down construction of a functional goal chain for all business processes carried out by the Company;

- secondly, a particular official, by virtue of their job responsibilities and experience, shall understand what risks might affect his/her performance of objectives. Risks owners and Risk-factors owners shall identify the risk tree that can affect the achievement of the set goals and assess the impact of the risk/risk factors on the achievement of their goals. According to the CRMS, the RMS links the goals tree to the risks tree.

6.1.2. Risks/Risk factors identification

6.2.2.1. Identification of inherent risks/risk factors is the determination of the exposure of all business activities, business processes of the Company to risks, the occurrence of which can negatively affect the ability to achieve the planned goals and achieve the set objectives.

6.2.2.2. Risk owners and Risk factors owners shall identify risks and associated risk factors.

6.2.2.3. The mechanism for determining and assigning Risk owners and Risk-factors owners for all business processes of the Company is described in internal documents in the field of risk management.

6.2.2.4. A combination of various methods and tools is used for identification of risks and associated risk factors. The identification procedures as well as methods and tools for identifying risks and associated risk factors are described in the Company's internal risk management documents.


6.2.3. Risks/Risk factors assessment and analysis

6.2.3.1. Assessment of identified risk factors and subsequent assessment of production/non-production risk, which is inherent in identified risk factors shall be carried out to determine the degree of its impact on the achievement of corporate production/non-production KPIs of the Company.

6.2.3.2. Production/non-production risks and their associated risk factors are analyzed by their probability of occurrence (probability of realization) and the degree of impact (potential damage).

6.2.3.2. Assessment of risk parameters may be quantitative or qualitative. The Company will strive to develop and apply primarily quantitative risks/risk factors assessment methods, continuously accumulate, and improve modern methods of quantitative risk assessment.

6.2.3.3. Methods and tools of quantitative and qualitative assessment of risk/risk factors, risk/risk factors analysis are disclosed in the Company's internal risk management documents.



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 7 of 17	

6.2.4. Risk management

6.2.4.1. Production/non-production risk management is the process of developing and implementing measures to reduce the adverse effects and/or likelihood of inherent risks and associated risk factors, or to obtain financial compensation in the event of losses related to the risks of the Company's activities.

6.2.4.2. In order to ensure the effectiveness of the risk management process and reduce costs associated with its implementation, the Company must focus on the critical risks/risk factors that can most significantly affect its financial condition and the achievement of its goals and objectives.

6.2.4.3. Risk management comprises the development of control means by the Risk owner/Risk factor owner, including the description of mechanisms to ensure that standard risk management practices are followed, and the timing for the execution of the control procedures.

6.2.4.4. The selection of methods for responding to production/non-production risks, the development of an action plan for managing production/non-production risks to ensure an acceptable level of residual risk, includes the standard methods described in the Company's internal risk management documents.

6.2.4.5. For risks/risk factors, the implementation of which may suspend the activities and operations of the Company and the Branch, business continuity measures are developed, if necessary, providing for consistent actions of employees to restore the operating activities of the Company and the Branch. The factors for the business continuity of the Company and the Branch are natural disasters, potential damage from industrial accidents, sanctions, consumer expectations, shareholders decision-making, international standards requirements, litigation, security of information systems, fragile supply chain, regulators, and legislation, etc.

6.2.4.6. The risk management action plan and measures to ensure business continuity of the Company and the Branch are approved by the general director of the Branch within the established time limits. Monitoring of the Action plan by the Responsible unit is carried out as part of the quarterly risk reporting.

6.2.5. Monitoring and reporting

6.2.5.1. Risk management monitoring - control over the dynamics of risk parameters change and effectiveness of implementation of actions and control procedures on risk management.

6.2.5.2. Monitoring is carried out by the Branch's Responsible unit by collecting information on risk dynamics quarterly and implementing action plans and control procedures for their management coming from the Risks owners, the Risk-factors owners of the Branch in accordance with internal risk management documents.

6.2.5.3. The Company shall constantly carry out monitoring of activities, including an on-line real-time effective control over operations. Any deficiencies in the risk management process identified during the ongoing control must be reported to the Goal owner, Risk owner and Responsible unit. Corrective action should be taken to address the identified deficiencies following the analysis of the shortcomings in the risk management process. The monitoring results shall provide for a possibility of aligning the implemented activities or development of new ones.

6.2.5.4. Monitoring is carried out by continuously monitoring the implementation of the Policy, procedures and activities of the RMS and the targeted inspections. The scope and frequency of the targeted inspections depends on the risk assessment and the effectiveness of ongoing monitoring. The shortcomings of the RMS shall be disclosed to the attention of the general director of the Branch.

6.2.5.5. Annually, a Report on the following risks is submitted for consideration by the Board of Directors of the Company:

- Investment projects risks worth more than 110 million USD per share of the Company, at the



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
	Policy	page 8 of 17

rate determined by the forecast of macroeconomic indicators in the corresponding period;

- Risks in the event of the realization of which the Company will be practically unable to recover from the consequences associated with this risk (risks having 5 points on the scale of impact and/or probability of the risk map, with qualitative risk assessment defined in the Methodology of identification and assessment of risks, selection of risk management methods approved by the General director of the Branch;
- Risks in the event of the realization of which the possible damage exceeds the values of the quantitative risk appetite of the Company (risks having 5 points on the scale of impact and/or probability of the risk map, when the quantitative risk assessment is defined in the Methodology of identification and assessment of risks, the selection of risk management methods approved by the General director of the Branch;

6.2.5.6. During the year, in the event of the above risks being realized, the Company shall submit a Risk implementation report describing the measures taken and the current corrective action.

6.2.5.7. A quarterly report on the Company's risks is submitted for consideration by the Internal Control Committee for further submission of the Report to KMG. The content requirements and timing of the above risk reports are specified in Annexes 2, 3 to the present Policy.

6.2.6. Information and communication

6.2.6.1. The CRMS in the KMG Group of companies provides an adequate flow of information – vertically and horizontally. The bottom-up information shall not be subject to distortion, enlargement, and other transformations. For the purposes of identification and risk assessment, both operational information from internal and external sources, as well as audited reports, reports on financial and economic activities are used.

Top-down information shall provide for statement of expectations of shareholders, goals, strategies, and objectives set, the importance and significance of effective risk management, and the level of risk appetite through approval of internal documents, regulations, etc. Horizontal communication of information implies interaction of Structural units within the Branch with the Responsible Unit.

6.2.6.2. Information and communication within the Company and the Branch help to provide risk management participants with reliable and timely risk information, increases risk awareness, methods, and tools for responding to risk. The relevant information is defined, recorded, and submitted in a prescribed form and on a timeframe that enables employees to perform their functions effectively. The quality of information in the RMS shall meet the following criteria:

- 1) the adequacy of the content
- 2) timeliness of information,
- 3) the relevance of the information,
- 4) accuracy of information,
- 5) availability of information.

6.2.6.3. Risk owners/Risk factors owners continuously monitor and inform the Responsible unit on potential risk events and realized risk events according to the Company's internal risk management documents.

6.2.6.4. The Company provides risk information to KMG for consolidation purposes, calculation of the aggregate risk level, in accordance with internal risk management documents.

6.2.6.5. An effective information environment involves large-scale automation of the processes of identification, assessment, management, and risk monitoring of the KMG group of companies.

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”
Policy	page 9 of 17

6.2.7. Internal environment.

6.2.7.1. The implementation of the above components of the risk management process contributes to the development of a risk culture within the Company based on the appropriate "high-level tone", high level of risk awareness and awareness, Risks owners/Risk factors owners' responsibility, an active risk management, and timely reporting.

6.2.7.2. The Company strives to build an adequate organizational structure of the RMS that promotes effective corporate governance, ensures proper separation of responsibilities, powers and responsibilities for risk identification, assessment, management, and reporting. The organizational structure of the Company's CRMS is set out in Annex 1 to this Policy.

The internal environment includes:

- 1) risk appetite of the Company;
- 2) the functions and responsibilities of the RMS participants;
- 3) common methodology documents of the RMS;
- 4) KMG URC;
- 5) a unified database of KMG on realized risk events.

7. Calculation of the risk appetite of the Company and determination of the level of risk-tolerance

7. 1. The risk appetite of the Company characterizes its own level of risk retention, within which the Company can achieve its strategic and operational objectives.

7. 2. Risk appetite defines the upper limit of the critical risks/risk factors level at the consolidated level that the Company is ready to accept. It also affects the allocation of resources, the organization of processes, and the creation of infrastructure within the organization necessary to effectively monitor and respond to risk events.

7. 3. The Company's risk appetite (risk appetite statement) for the planned period on a consolidated basis is approved by the Board of directors of the Company or the general director of a Branch operating under the Regulation on the activities of the Company and Power of Attorney and have the following characteristics:

- 1) reflects the Company's strategic objectives, including business plans, financial constraints, and stakeholder expectations;
- 2) covers all key aspects (areas) of activity;
- 3) takes into account the willingness and ability to take risks;
- 4) determine the Company's attitude to risk;
- 5) periodically reviewed in accordance with industry and market conditions;
- 6) requires effective monitoring of the risk itself;
- 7) includes both quantitative and qualitative indicators.

7. 4. In calculation of the quantitative risk appetite of the Company the following conditions should be observed:

- 1) in the event that the Company's risk appetite is negative, this indicates its inability to retain its risks;
- 2) risk appetite is intended to finance possible losses as a result of the realization of external risk factors (unmanaged at the Company level) that affect production/non-production risks;
- 3) production/non-production risks, the probability of which is associated with the implementation of internal risk – factors (managed at the Company level) should not be covered by risk appetite but should be managed at the Company level through risk management measures.

7. 5. In order to carry out effective monitoring and to avoid exceeding the level of risk appetite, risk-tolerance is applied, if necessary. Risk tolerance levels are considered by the Internal Control

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 10 of 17	

Committee and approved by the general director of the Branch or the Board of directors of the Company.

7. 6. Risk tolerance levels are reviewed in case of occurrence/identification of new risk factors for production/non-production risks or when risk events occur. The Responsible unit monitors compliance with risk tolerance levels on a quarterly basis.

7. 7. Activities within the levels of tolerance to risks shall provide the management with a higher degree of confidence in achieving its goals.

7. 8. Approaches and methods for calculating the Company’s risk appetite and risk tolerance shall be defined in the internal documents on risk management.

8. Functions and responsibility of the RMS participants

Board of directors of the Company	<ul style="list-style-type: none"> - responsibility for availability of an efficient RMS, including by approving of the present Policy; - considers an annual report on the following risks: - risks of investment projects, the cost of which exceeds 110 million USD; - risks in the event of the realization of which the Company will be practically unable to recover from the consequences associated with this risk (risks having 5 points on the scale of impact and/or probability of the risk map, with qualitative risk assessment defined in the Methodology of identification and assessment of risks, selection of risk management methods approved by the General director of the Branch; - risks in the event of the realization of which the possible damage exceeds the values of the quantitative risk appetite of the Company (risks having 5 points on the scale of impact and/or probability of the risk map, when the quantitative risk assessment is defined in the Methodology of identification and assessment of risks, the selection of risk management methods approved by the General director of the Branch; - during the year, considers the reports on the implementation of the above risks with a description of the actions taken and the current corrective action measures.
General director of the Branch	<ul style="list-style-type: none"> - responsible for the organization and effective functioning of the RMS; - approves the Rules of the organization of the risk management process and the Methodology of identification and assessment of risks, selection of methods of risk management; - approves the risk–appetite of the Company, the Risks register and the Risk Management Action Plan, the Risk coordinators register, the risk tolerance levels, if necessary; - ensures the implementation of this Policy, including compliance with the provisions of current Policy by the structural units of the Branch; - responsible for providing annual report to the Board of directors of the Company on the following risks: - risks of investment projects, the cost of which exceeds 110 million USD; - risks in the event of the realization of which the Company will be practically unable to recover from the consequences associated with this risk (risks having 5 points on the scale of impact and/or probability of the risk map, with qualitative risk assessment defined in the Methodology of

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 11 of 17	

	<p>identification and assessment of risks, selection of risk management methods approved by the General director of the Branch;</p> <ul style="list-style-type: none"> - risks in the event of the realization of which the possible damage exceeds the values of the quantitative risk appetite of the Company (risks having 5 points on the scale of impact and/or probability of the risk map, when the quantitative risk assessment is defined in the Methodology of identification and assessment of risks, the selection of risk management methods approved by the General director of the Branch; - responsible for providing a report on the realized risks with a description of the actions taken and current corrective measures taken by the Board of directors of the Company; - responsible for timely submission of quarterly Risks reports to KMG; - considers quarterly risks reports and takes appropriate action within his competence; - ensures improvement of internal documents in the field of risk management.
Internal Control Committee of the Branch	<ul style="list-style-type: none"> - responsible for the organization and effective functioning of the RMS; - ensures the implementation of this Policy, including compliance with the provisions of current Policy by the structural units of the Branch; - considers methodological documents on risk management, as well as proposals of the Branch's Responsible unit on development of procedures and structure of risk management; - considers quarterly reports on risks, takes appropriate measures within the framework of its competence; - considers risks and effectiveness of risk management measures, agrees risk appetite, Risks register, Risk Management Action Plan, risk tolerance levels (if necessary) for approval by the General director of the Branch or the Board of directors of the Company; - considers the annual report on the following risks, for further submission to the Board of directors of the Company: <ul style="list-style-type: none"> - risks of investment projects, the cost of which exceeds 110 million USD; - risks in the event of the realization of which the Company will be practically unable to recover from the consequences associated with this risk (risks having 5 points on the scale of impact and/or probability of the risk map, with qualitative risk assessment defined in the Methodology of identification and assessment of risks, selection of risk management methods approved by the General director of the Branch; - risks in the event of the realization of which the possible damage exceeds the values of the quantitative risk appetite of the Company (risks having 5 points on the scale of impact and/or probability of the risk map, when the quantitative risk assessment is defined in the Methodology of identification and assessment of risks, the selection of risk management methods approved by the General director of the Branch; - during the year, considers the reports on the implementation of the above risks with a description of the actions taken and the current corrective action measures; - considers new approaches to risk management and their applicability to the Company's risks;



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”
Policy	page 12 of 17

	<ul style="list-style-type: none"> - considers plans of work on improvement of RMS and development of risk culture.
Responsible unit of the Branch	<ul style="list-style-type: none"> - ensures the functionality of the RMS, the development and updating of the RMS methodological documents; - provides consulting support to Structural units on the functionality of the RMS; - conducts training sessions on risk management; - considers, approves the Risks registers prepared by Structural units/business lines within the scope of this Policy; - performs risk consolidation and information analysis, is responsible for timely preparation of the Risks register, risks map, Risk Management Action Plan, as well as preparation of quarterly risk reports to the Internal Control Committee; - responsible for preparing an annual report on the following risks: - risks of investment projects, the cost of which exceeds 110 million USD; - risks in the event of the realization of which the Company will be practically unable to recover from the consequences associated with this risk (risks having 5 points on the scale of impact and/or probability of the risk map, with qualitative risk assessment defined in the Methodology of identification and assessment of risks, selection of risk management methods approved by the General director of the Branch; - risks in the event of the realization of which the possible damage exceeds the values of the quantitative risk appetite of the Company (risks having 5 points on the scale of impact and/or probability of the risk map, when the quantitative risk assessment is defined in the Methodology of identification and assessment of risks, the selection of risk management methods approved by the General director of the Branch; - during the year, considers the reports on the implementation of the above risks with a description of the actions taken and the current corrective action measures; - responsible for timely monitoring of compliance with risk tolerance levels if necessary; - exercises control over the implementation of risk management measures, control over the status of risks; - interacts with the Internal Audit Service of KMG, the Structural units of KMG, external consultants and other stakeholders on risk management issues within its competence, if necessary; - provides the arrangement of the process of interviewing Risks owners, the Branch risk-factors owners and methodological support in the application of expert methods of identification and risk assessment; - evaluates the effectiveness of the risk management process, notifies the Board of directors of the Company/general director of the Branch about significant shortcomings in the RMS, and develops recommendations for improving the risk management process;
Risks owner (Deputy general director of Branch)	<ul style="list-style-type: none"> - responsible for proper management and control over risks associated with the implementation of the processes supervised by a Risks owner; - responsible for identifying and determining risks affecting corporate key performance indicators;

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy	page 13 of 17	

	<ul style="list-style-type: none"> - responsible for submission timely and complete information on the status of risks and execution of risk management activities to the Responsible unit; - responsible for timely development of activities to ensure the continuity of the Company's operations (if necessary); - provides for the development of mechanisms for the management of certain types of risks, control procedures associated with the implementation of processes supervised by the Risks owner, aimed at reducing the level of risk.
Risk factors owner (Director of structural unit/Chief Accountant of the Branch)	<ul style="list-style-type: none"> - responsible for proper management and control over risks associated with the implementation of the processes supervised by a Risks factors owner; - responsible for submission timely and complete information on the status of risks and execution of risk management activities to the Responsible unit; - develops measures to ensure the business continuity of the Company and the Branch (if necessary).
Every employee of the Company and the Branch	<ul style="list-style-type: none"> - responsible for the performance of official duties in the field of risk management in accordance with job descriptions and Regulations on the structural unit; - timely notifies the Responsible unit, direct Director of the Structural unit/Chief Accountant of any committed or possible errors/ deficiencies that have caused or may result to potential losses, of potential and realized risk events, in the manner and timeframe established by the internal documents of the RMS; - undergoing training on risk management in accordance with the approved training program.

In order to improve the risk management process and develop the risk culture within the Company, a Risk Coordinator is appointed within the Structural unit to coordinate the risk management work within the own structural unit and to interact with the Responsible unit.

9. URC of the Company

9. 1. The Company uses the KMG URC, developed and introduced in order to unify risk names and standardize the risk identification process across the entire KMG group of companies.

9. 2. The key basis for risk classification shall be the following functional Risk areas:

- 1) production risks;
- 2) non-production risks;
- 3) investment risks.

9. 3. Each area contains a list of the names of production and non-production risks and the corresponding risk factors to which the Company is exposed in relation to the existing production and non-production business processes in the Company.

9. 4. The URC is mandatory for use within the RMS of the Company.

10. Single electronic database on realized risk events (SEDR)

10. 1. At the level of KMG, a centralized administration of a single electronic database on realized risk events (hereinafter – SEDR) is conducted for the entire KMG group. The main purpose of the SEDR is to collect statistics on realized risk events for the entire KMG group of companies, the availability of which is necessary for conducting a quantitative assessment of risks/risk factors, as well as for preparation of various analytical reports on risks.



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy		page 14 of 17

10. 2. The Company provides to KMG structured information on the realized risk events for consolidation in the SEDR. The Company shall maintain local databases on realized risk events for further quantitative risk assessment, drafting the internal reporting and informing of the Company's management bodies in accordance with the approved methodology documents of the RMS.

11. RMS efficiency criteria

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

11. 2. The effectiveness of RMS can be assessed on the basis of the following quantitative and qualitative criteria:

- 1) risk management is carried out on an ongoing basis;
- 2) the risk management process is linked to all business processes;
- (3) information generated by the RMS is actively used and taken into account in management decision-making, including prioritization of tasks and efficient allocation of resources;
- (4) in the long term, the RMS' appearing not as the subject of resource consumption, but as a tool for a more rational use of them.

12. Requirements to confidentiality of information about risks

12. 1. External persons that gain access to confidential information about risks and plans on their management activities may only be granted access after signing a non-disclosure of confidential information agreement.

12. 2. Policy and other documents in the field of risk management are available to all employees of the Company and the Branch. Changes in the methodology documents of the RMS are brought to the attention of all employees of the Company and the Branch through the electronic document management system.

13. Final provisions

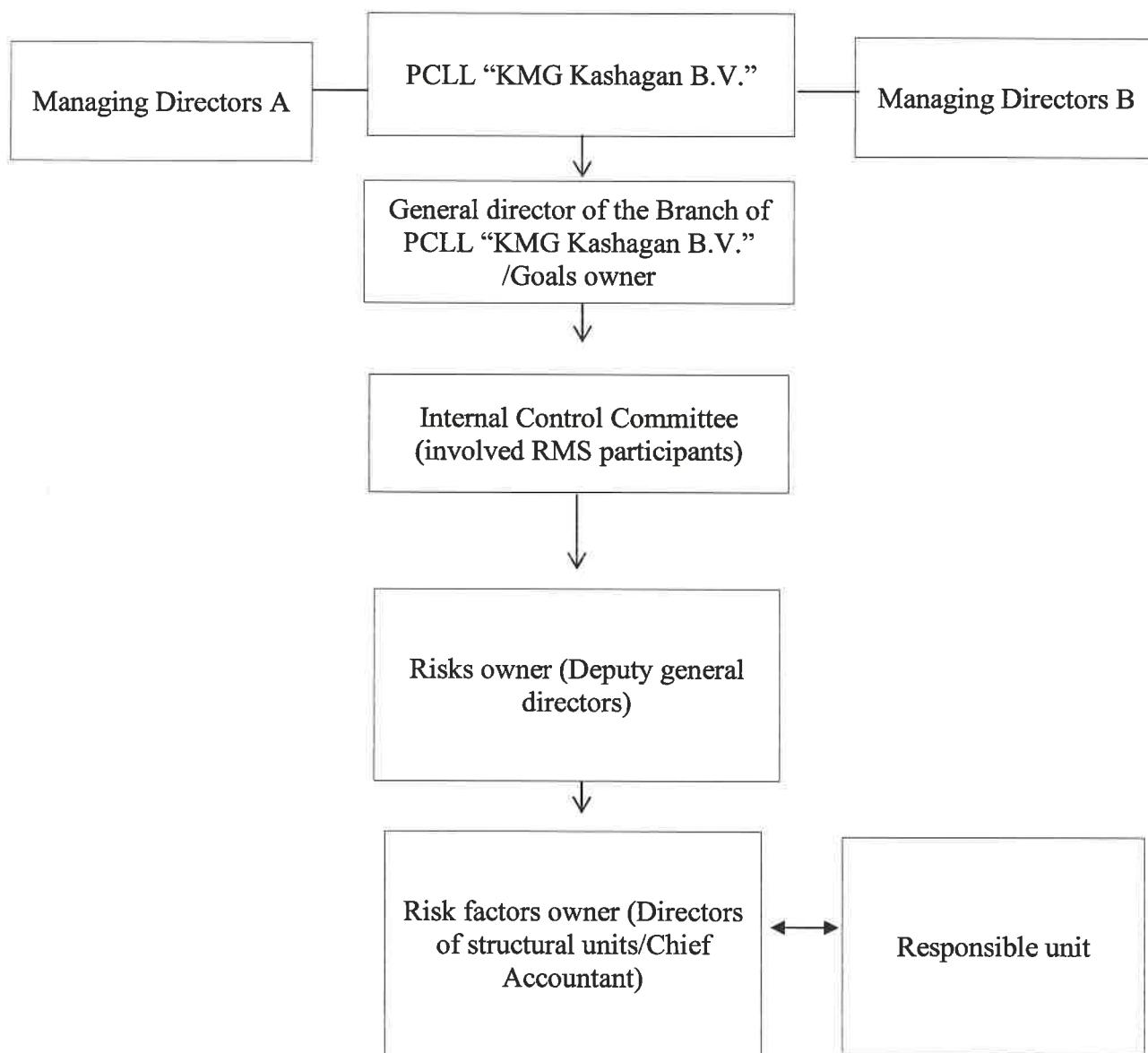
The Policy is approved by the Board of directors of the Company and subject to review as appropriate.



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”	
Policy		page 15 of 17

Annex 1
to the Policy on Corporate Risk Management System
of the Company

Organizational structure of the Company's RMS



[Signature]

	Risk Management System Policy of PCLL “KMG Kashagan B.V.”
Policy	page 16 of 17

Annex 2
to the Policy on Corporate Risk Management System
of the Company

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

1. Map and Risks register.
 - 1) a risk map for the forecast year, changes in the risk map for the reporting quarter with provision of detailed information on changes in risks/risk factors dynamics;
 - 2) separate allocation of critical risks/risk factors with confirmation of their availability and the action plan to reduce their probability/impact, and quantitative/qualitative assessment of their impact.
 - 3) the Risks register for the forecast year; the Risks register adjusted on a quarterly basis;
 - 4) the Risk Management Action Plan once a year and amendments made to the Risk Management Action Plan on a quarterly basis (if necessary);
 - 5) implementation of the Risk Management Action Plan on a quarterly basis;
 - 6) newly identified risk factors with justification of their grounds, the action plan on reduction of their probability/impact and the quantitative/qualitative assessment of their impact.
2. Risk appetite for the forecast year (once a year), adjusted risk appetite on a half-year basis (if necessary).
3. Financial risk report under the Management Reporting System (hereinafter- MRS):
 - 1) financial risks in accordance with the Rules for the management of certain types of financial risks (currency, interest, country, credit risk on counterparty banks).
 - 2) information on compliance with/non-compliance with risk limits, including limits on counterparty banks;

Information on the realized risk events (quarterly) with an obligatory statement of the damage (in quantitative, if possible, and qualitative assessment) and the measures taken to respond to such events with an assessment of the effectiveness of the undertaken measures, in case of the realized risks in KMG.

*this list may be amended and supplemented if necessary.



	Risk Management System Policy of PCLL “KMG Kashagan B.V.”
Policy	page 17 of 17

Annex 3
to the Policy on Corporate Risk Management System
of the Company

Timing of reporting on risks

The mandatory risk reports for the Company are:

(1) forms of reporting on each risk (provided in accordance with the approved Management Reporting System (MRS) form package);

Time frame for the Company to submit risk reporting forms (as defined in the established forms) and a risk report:

Document title	Document users	Timing of submission
RMS Reporting form (including) risk reporting forms for the Fund, in the SAP system	Responsible unit	For Q1 and Q3, the reporting date + 35 calendar days, for Q2 and Q4, the reporting date + 45 calendar days
The RMS reporting form for KMG	Responsible unit	Not later than the 20 th day of the next month following the reporting quarter
Monitoring of the implementation of the Risk Management Action Plan for KMG	Responsible unit	No later than the 20 th day of the next month following the reporting quarter
Quarterly risk report for the Internal Control Committee	Responsible unit	No later than the 25 th day of the next month following the reporting quarter
Annual risk report for the Board of Directors	Responsible unit	Not later than the 15 th day of the second month following the reporting date (reporting date + 45 calendar days)
Report on implemented risks during the year	Responsible unit	Not later than the 15 th of the second month following the reporting quarter

