

# RISK MANAGEMENT AND INTERNAL CONTROL

THE RISK MANAGEMENT SYSTEM IS AIMED AT ENSURING THE ACHIEVEMENT OF STRATEGIC AND OPERATIONAL OBJECTIVES, AS WELL AS OBJECTIVES IN THE AREA OF RELIABLE REPORTING AND COMPLIANCE WITH APPLICABLE LAWS AND INTERNAL REQUIREMENTS.

Internal control focuses on achieving operational objectives, ensuring the reliability of reporting and compliance with the legislation and internal requirements of the Fund and its Portfolio Companies.

The objectives of the Corporate Risk Management and Internal Control System are as follows:

- ◆ Strengthening the risk culture and integrating risk management and internal control into all aspects of the Fund's activities.
- ◆ Reducing volatility of results by improving the Fund's ability to prevent threatening situations, respond effectively to possible negative events and minimize their consequences to an acceptable level.
- ◆ Ensuring that opportunities are seized to increase the value of the Fund's assets and profitability over the long term.

The main principles and approaches to the organization of risk management and internal control in the Fund group are reflected in the Fund's Policy on Risk Management and Internal Control. This Policy was drawn up taking into account the recommendations of COSO "Conceptual Framework for Organizational Risk Management: Integration with Strategy and Performance Indicators" and is designed to ensure increased responsibility of risk owners for risk management at all levels of the Fund, to increase the integration of risk management into all processes of the Fund.

According to the Policy, the Board of Directors and the Management Board of the Fund in performing their functions rely on the "Three Lines of Defense" model, where the first line of defense (business functions) is represented by structural units represented by each employee, which within their competence directly identify, manage risks and perform control procedures. The second line of defense (monitoring functions) is represented, among others, by the Risk Management and Internal Control Department and the Compliance Service of the Fund, which are responsible for monitoring the implementation by business functions of effective risk management and internal control practices, compliance with the law and internal regulations of the Fund. The third line (independent assurance) covers the Internal Audit Service, which assesses the effectiveness of the risk management and internal control system.

Risk appetite, risk register and risk map are approved annually in the Fund and Portfolio Companies, and management reporting on significant areas of activity is regularly provided for review by the respective Boards.

A corporate risk reinsurance program under the administration of the Fund's captive is implemented, which provides shareholders with confidence in the quality of reinsurance protection of risks of the Fund's companies.

The work on improvement of the internal control system, including documentation of control procedures in the Fund's internal regulatory documents, continues.

## THE NON-EXHAUSTIVE LIST OF RISKS OF THE FUND AND THE PORTFOLIO COMPANIES, IS AS FOLLOWS:

### Strategic Risks:

**The risks of significant investment projects** range from internal to external, including classic project risks such as delays and increased capital expenditure, as well as external factors such as inflation, currency fluctuations and logistical issues. The process of risk identification and mitigation is carried out on a regular basis and mitigation measures are developed.

**Reputational damage risk.** Includes potential negative perception of the Fund and Portfolio Companies by various stakeholders. This risk is managed through the development and maintenance of the overall image and communication policy, as well as compliance with the legislative and ethical standards of behavior of the Fund and Portfolio Companies.

**Risks of transferring assets into a competitive environment.** These risks are related to the non-execution of the Resolution of the Government of the Republic of Kazakhstan dated December 29, 2020 No. 908 "On some issues of privatization for 2021-2025" in terms of transferring the assets of the Fund's group in a competitive environment. Preventive measures include carrying out preparatory activities for the transfer of assets in a competitive environment, market research and interaction with potential investors, engagement of qualified independent consultants to support the transaction in cases in accordance with the established procedure, as well as placing a publication about the upcoming auction in printed publications and on the corporate websites of the Fund and portfolio companies.

### Financial Risks:

**Liquidity and covenant/listing risks.** These arise when a company is unable to finance its operations and meet its obligations. Management of these risks includes setting and monitoring debt limits and various measures to improve financial stability.

### Operational Risks:

**Social instability risk** is a risk associated with social tension of various groups of employees of the Fund and Portfolio Companies. To monitor the state of social stability risk, the Center for Social Interaction and Communications on an annual basis analyzes the level of social stability in the labor collective of the Fund group. In order to monitor and regulate social and labor relations, the complaints and appeals of the Fund group employees are also monitored. The Fund, together with Portfolio Companies, republican and local authorities, works out systemic measures to improve the welfare of employees and resolve emerging issues.

**The risk of accidents** is one of the key risks for the Fund's production Portfolio Companies. The Action Plan for Production Safety for 2023 was approved, consisting of 38 specific measures in 3 areas: People, Equipment, Prevention of Emergencies. A permanent headquarters was established to respond to accidents and emergencies in the organizations of the group of companies of Samruk-Kazyna JSC.

**Sanctions impact risk** – risks associated with the negative indirect impact of sanctions on the activities of the Fund and portfolio companies. The Fund group of companies is not included in any sanctions lists. However, due to the high degree of integration of the Kazakh and Russian economies, the introduction of the sanction regime may have a significant impact on the activities and financial performance of the Fund group of companies. Mitigation of the risk is carried out by implementing the following measures: monitoring of counterparties and partners for presence in the sanctions lists; inclusion of sanctions clauses in existing and new contracts; involvement of international law firms in case of probability of realization of the risk of violation of the sanctions legislation; interaction with government agencies and other organizations in order to exchange experience in minimizing the impact of sanctions restrictions; constant control over the collection of information on the sanctions regime; implementation of the following measures.