

Abstract № 596

October 23, 2014

Protocol №10/14

of meeting in presentia of the Board of Directors of the Joint Stock Company “Tau-Ken Samruk” National Mining Company”

Astana

August 29, 2014

15:00 – 17:00

Quorum for conducting the meeting of the Board of Directors

Type of Meeting: open

26. On confirming the Risk Management Policy of the Joint Stock Company “Tau-Ken Samruk” National Mining Company” in new edition.

№26 has been issued by: A.K. Akhmetzhanov (reporter)

According to the discussion and voting on №26 of the agenda, the Board of Directors have made the following RESOLUTION:

1. Confirm the Risk Management Policy of the Joint Stock Company “Tau-Ken Samruk” National Mining Company” in new edition.
2. The following resolutions of the Board of Directors of JSC “Tau-Ken Samruk” shall be deemed to have lost force:
 - 1) Protocol №9/10 on considering the draft of the Risk Management Policy of JSC “Tau-Ken Samruk”, dated 26.10.2010;
 - 2) Protocol №10/13 on considering and confirming the amendments for the Risk Management Policy of JSC “Tau-Ken Samruk”, dated 07.10.2013.

Results of Voting:

1. **Bektemirov K.A.** – “Yes”
2. **Arslanova Z.F.** – “Yes”
3. **Argingazin A.A.** – “Yes”
4. **Turmagambetov M.A.** – “Yes”
5. **Dutbayev N.N.** – “Yes”

“No” – 0

“Abstain” – 0

Corporate Secretary

Zh. Nuralina

CONFIRMED

Resolution of Board of Directors of
JSC “Tau-Ken Samruk”

“29”08 2014

(Protocol №10/14)

**RISK MANAGEMENT
POLICY
OF JOINT STOCK COMPANY “TAU-KEN SAMRUK”
NATIONAL MINING COMPANY”**

Astana
2014

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.2
-------	---	-------

Content

1.	General Provisions	4
1.1.	Appointment.....	Ошибка! Закладка не определена.
1.2.	Scope of Application.....	4
1.3.	Regulatory References	5
1.4.	Terms, Definitions, Designations and Abbreviations	5
1.4.1.	Terms and Definitions.....	Ошибка! Закладка не определена.
1.4.2.	Designations and Abbreviations.....	Ошибка! Закладка не определена.
2.	Risk Management Policy	7
2.1.	Purposes of CSRМ.....	7
2.2.	Objectives of CSRМ.....	8
2.3.	Principles of CSRМ	Ошибка! Закладка не определена.
2.4.	Processes of CSRМ.....	Ошибка! Закладка не определена.
2.5.	Structure of CSRМ.....	10
2.6.	Risk Classification in Groups of the Company	11

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.3
-------	---	-------

1. General Provisions

1.1. Appointment

1. The given document describes the purposes and principles of Corporate System of Risk Management (hereinafter – CSRM) of Joint-Stock Company “Tau-Ken Samruk” National Mining Company” (hereinafter – Company), determines the structure of risk management, the main components of the risk management process, ensures the systemic and consecutive approach in implementing the risk management process of the Company and subsidiaries (hereinafter – Group of Company).

2. The main purposes of the Risk Management Policy of the Company (hereinafter – Policy) are:

1) Providing the effective comprehensive system and creating the integrated process of risk management as an element of governing the Group of Company;

2) The continuous improvement of the Group of Company based on a single standardized approach to the methods and procedures of risk management;

3) Ensuring acceptable risks of the Group Company, appropriate scale of its activities;

3. The policy is aimed at implementing the following objectives:

1) Creating the full-fledged framework for decision-making and planning;

2) Providing a continuous coherent risk management process based on early identification, assessment, analysis, monitoring, control for the achievement of the set objectives and purposes;

3) Introduction and improvement of the management system, providing to prevent and minimize the potentially negative events;

4) Efficient use and allocation of resources;

5) Prevention of losses and damages by improving the efficiency of the Group of Company, providing the protection of the assets and equity capital;

6) Ensuring the efficiency of business processes, the reliability of internal and external reporting, as well as promoting the legal compliance.

1.2. Scope of Application

4. This Policy is applied to all the activities of the Company and its subsidiaries. The policy is mandatory for familiarization and use of all entities and all employees of the Company and its subsidiaries. During the implementation of the functional duties and execution of the tasks, each employee of the Group of Company shall be governed by the provisions set forth in this Policy.

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тай-Кен Самрук»	Стр.4
-------	---	-------

5. The detailed description of the methods and procedures of the risk management process, including the manner and form of reporting on risk management tasks, functions and responsibilities of the management of major risks, the risk management measures and other components of the risk management process are presented in the Corporate Risk Management Standard of the Company and other internal documents of the Group of Company.

6. Methods and procedures to manage risks specific to subsidiaries of the Company, may be determined by the management bodies of the concerned organization.

7. Subsidiaries, in which the Company has a minority interest in the equity capital, can independently implement the risk management system and to develop their own risk management policy based on compliance with international standards of corporate governance.

1.3. Regulatory References

8. This standard refers to the following documents:

1) Regulations of the Committee on Risks of the Management Board of JSC «Tau-Ken Samruk».

1.4. Terms, Definitions, Designations and Abbreviations

1.4.1. Terms and Definitions

9. This document uses the following basic concepts:

Business Unit	– Division of the Company, responsible for defining the function or activity, as well as subsidiaries and dependent organizations and projects of the Company.
Risk Owner	– Person (employee / structural unit / collegial body), responsible for all aspects of managing a certain risk, in particular, reducing the probability of risks and/or reduce the effects of the possible impact on implementing the risks to the Company.
Groups of Company	– The Company and its subsidiaries, more than fifty percent of the voting shares (stakes) of which are owned by the Company on the right of ownership or trust management.
Subsidiary (DO)	– Legal body, more than fifty percent of the voting shares (stakes) of which belong to the Company on the

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тай-Кен Самрук»	Стр.5
-------	---	-------

	right of ownership or trust management.
Sole Shareholder	– The Sole Shareholder of the Company, Joint-Stock Company «Sovereign Wealth Fund «Samruk-Kazyna».
Key Performance Risk	– Early performances providing the early signals of changes in the risk factors of different areas.
Critical Risks	– Risks that fall into the red and the orange zone on the Risk Map (key risks).
Company	– Joint-Stock Company «Tau-Ken Samruk» National Mining Company.
Risk	– The potential event (or coincidence) in the future, which in the case of its implementation could have a material adverse effect on the Company in achieving the long-term and short-term purposes.
Risk Appetite	– The risk that is considered to be acceptable by the Company in the process of achieving the purposes.
Policy	– Risk Management Policy of the Company.
Holding Power	– Size of non-budgeted losses due to the occurrence of any events (risks) that the Company can absorb (financed by own funds) without significant damages to the financial and competitive positions.

1.4.2. Designations and Abbreviations

DO	– Subsidiaries of the Company.
CSRM	– Corporate System of Risk Management of the Company.

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тәу-Кен Самрук»	Стр.6
-------	---	-------

2. Risk Management Policy

10. Risk management of the Company on a consolidated basis is carried out by introducing the CRMS at all levels of the Group of Company. CRMS is a process carried out by the Board of Directors, management and employees of the Company, which begins with the development of the strategy and affects the entire operations of the Group of Company. It aims at identifying events that may affect the operations of Group of Company, and management related to the risk of these events, as well as the control that is not exceeded the risk appetite of the Company and provide the reasonable assurance regarding the achievement of the objectives of the Company and the subsidiaries.

2.1. Purposes of CSRM

11. The main purpose of CRMS is to achieve the balance between the maximum use of opportunities to obtain benefits and prevent losses in order to protect the interests of the Sole Shareholder of the Company and the Group of Company, as well as ensuring an adequate return on equity of the Sole Shareholder and the increase in capitalization of the Company (fair value of the equity).

12. CRMS sets the following purposes:

1) Developing and implementing the uniform and consistent approach to the identification, assessment and risk management of the Group of Company, simplifying the exchange of information about the vertical and horizontal risks;

2) Formation of the possibility for the Company to set and monitor the quality of risk management in Group of Company on the basis of clear and understandable criteria;

3) Formation of the data base for building a system of accounting the assets, the market value and evaluation of the share capital;

4) Rapid response to emerging risk events, monitoring changes in the external and internal environments;

5) Organization of targeted risk management activities with reducing purposes to an acceptable level or transfer to the third parties (insurance, hedging);

6) Systematization and further accumulation of information about the risks of Group of Company, increasing the manageability of business;

7) Increasing the capitalization of the Company and subsidiaries by increasing the efficiency through optimization and risk management.

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тай-Кен Самрук»	Стр.7
-------	---	-------

2.2. Objectives of CSRM

13. The main objectives of CSRM of Group of Company are the following:

- 1) Preventing the occurrence of events that threaten the achievement of strategic and operational objectives;
- 2) Reducing the impact of such events to an acceptable level in case they occur;
- 3) Responding effectively to unexpected situations and managing them;
- 4) Maintaining the systematic risk management process, which is part of the overall process of ensuring an effective internal control environment;
- 5) Providing the reasonable assurance to stakeholders that the Company and the subsidiaries efficiently manage their own risks.

2.3. Principles of CSRM

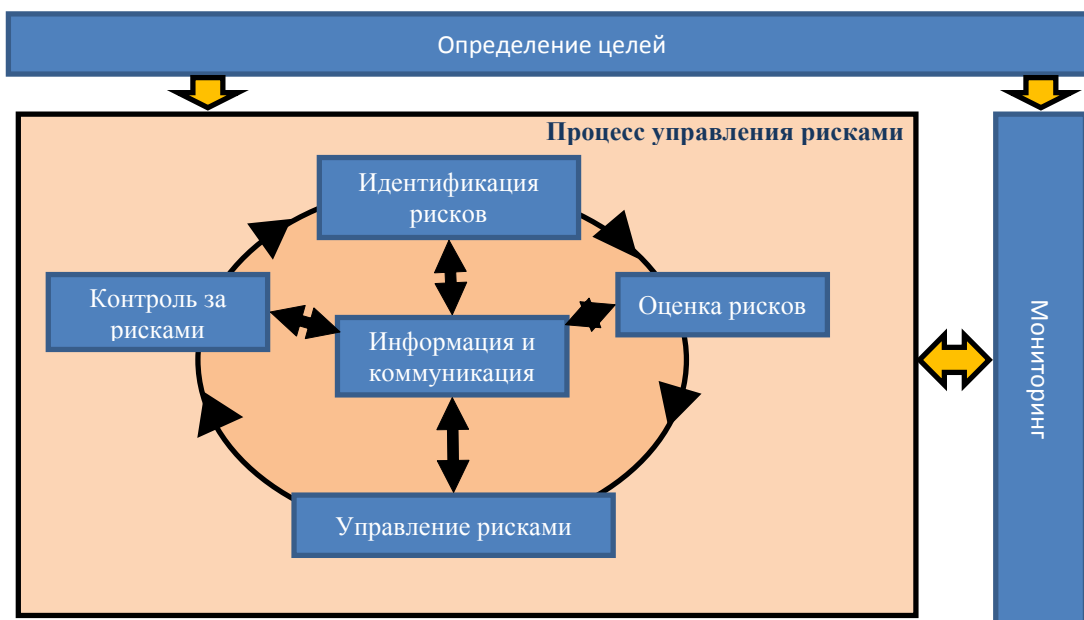
14. The Company adheres to the following principles in implementing the risk management process:

- 1) **Integrity** – consideration of the elements of the overall risk of the Group of Company;
- 2) **Openness** – prohibition on the consideration of the risk management system as stand-alone or isolated;
- 3) **Structure** – the complex system of risk management has a clear structure;
- 4) **Awareness** – the risk management is accompanied by the presence of objective, reliable and relevant information;
- 5) **Continuity** – the risk management process is carried out on an ongoing basis;
- 6) **Cyclicity** – the risk management process is a continuously repeated cycle built with its main components;
- 7) **Effectiveness** – the risk management process to be effective (achieving the purposes) and cost (optimal use of resources).

2.4. Processes of CSRM

15. Risk management in the Company is a permanent, dynamic and continuous process, consisting of the following components according to the scheme below:

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.8
-------	---	-------



16. **The Internal Environment:** The internal environment determines the general attitude of the Company to the risks and the way how to view and respond to the risks of the employees. The internal environment is the foundation for all other components of the risk management system and includes the awareness of risks in the Company, the risk culture, the level of risk appetite and the storage capacity, the extent and scope of the control of the government, ethical values, competence and responsibility of employees, the structure of the Company, the ability, determined by human, financial and other resources.

17. **The Definition of the Purposes:** The purposes of the Company shall be determined at a strategic level and provide the basis for the development of operational purposes, goals in statements, and objectives in compliance with laws and regulations. The Company is subject to the action of the risks from external and internal sources, which may adversely affect the achievement of the purposes. The main condition for the efficient identification, assessment and development of methods of risk management is to set the relevant purposes for the Company. The purposes and objectives of the Company are agreed with the risk appetite of the Company.

18. **Identification of Risks:** The risk identification is carried out to determine the exposure of the Company on a consolidated and individual basis, the impact of events, the occurrence of which may adversely affect the ability to achieve the planned purposes and implement the objectives. Identifying the risks can increase the level of confidence in achieving the objectives through an overview of the risks and their basic characteristics, determining the relationship of risk to each other, ranking the level of risks of groups of Company and

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.9
-------	---	-------

subsidiaries, raising the awareness of the risks and methods of their control, as well as focusing on the most critical risks.

19. **Risk Assessment:** The risk assessment process is carried out to identify the most critical risks that could adversely affect the operations of Group of Company and the achievement of the Company's strategic goals and objectives. The probability assessment of implementation and the possible impact of risks allows to develop an understanding of the risks, provides the necessary data base for decision-making about the need to manage the certain risks, as well as the most appropriate and cost-effective strategies to reducing. The risk assessment allows to monitor the compliance of risk appetite of the Company.

20. **Risk Response:** The response to the risk of a process of development and implementation of measures that result in identified risk in accordance with the risk tolerance and the risk appetite of the Company. One of the main tools is to the risk response is the key risk performance. The key risk performances allow to notify the occurrence of risks and take the early measures to the risk response.

21. **The Means of Control or Control** – the policies and procedures that help to ensure the risk management measures. The control activities are included in the business processes at all levels of companies, members of the Group of Company. The control activities include a wide range of measures, such as approval, authorization, verification, coordination, analysis of operations, security of assets and the distribution of responsibilities.

22. **Monitoring:** The Group of Company monitors the risk management system (including the existing management methods and means of risk control) and, if necessary, its modification and improvement.

23. CRMS is a tool that supports the process of managerial decision-making and daily operations of the Company. CRMS is integrated with the processes of strategic planning, operations, budgeting and motivation system.

24. The risk management process, as well as a description of their practical application in the Company are set out in the detailed Corporate Standards of Risk Management of the Company.

2.5. Structure of CSRM

25. The structure of CRMS of the Company is presented by the consolidated risk management at multiple levels – Group of Company, the corporate center and business units of the Company, the structural units of the Company or employees, specializing in a separate area of operation or a separate dedicated functions of the Company, with the involvement of the following participants of risk management: Board of Directors, the Management

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.10
-------	---	--------

Board, risk owners, the structural unit specializing in risk management and internal audit service.

26. The Board of Directors and the Management Board provide for the creation of the control environment, which expresses and demonstrates the Company's employees the importance of internal control and compliance of ethics at all levels and activities of the Company.

27. The Board of Directors is responsible for the organization and the availability of an adequate system of risk management in the Company and supervision over the implementation, taking measures to improve and make the regular assessments of the effectiveness of CRMS. The Board of Directors applies a risk-based approach for the organization of a reliable internal control system and evaluating the effectiveness.

28. The Management Board is responsible for the implementation of the risk management system and implementation of risk management policies, including improving processes and risk management procedures, ensuring the reliable operation of the CRMS and monitoring the risk management process.

29. Risk Owners of the Company, in accordance with their official (functional) responsibilities are responsible for identification, assessment and risk response, as well as improving the risk management process in their respective areas of activity of the Company.

30. The Company has a dedicated separate structural unit subordinate to CEO of the Management Board, responsible for the organization of operations for the implementation of CRMS and ensuring the functioning, including methodological support and monitoring the implementation of the responsible persons for risk management procedures, summary statements on the risks as well as improvement of CRMS.

31. The Internal Audit Service evaluates the safety and effectiveness of the internal control of the Company, provides the Board of Directors with independent and objective information and advice the Company on the risk management.

2.6. Risk Classification in Groups of the Company

32. Groups of the Company use the following categories of risk classification:

1) **Strategic Risk** – The risk of losses due to changes or errors (defects) in defining and implementing the strategy of operations and development of the Company, changes in the political environment, the regional situation, the industry downturn and other external factors of a systemic nature;

2) **Investment Risk** – The probability of potential losses of investments of the Company invested in implementing the investment projects, transactions on merging and absorbing;

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.11
-------	---	--------

3) **Legal Risks** – The risks of losses due to non-compliance of the Company with the requirements of the legislations of the Republic of Kazakhstan, in relation to non-residents of the Republic of Kazakhstan - the laws of other states, as well as internal rules and procedures;

4) **Operational Risk** – The risk of losses or errors resulting from deficiencies or industrial errors in internal processes, committed by employees (including personnel risks), the functioning of information systems and technologies (technological risks), industrial safety and as well as due to the external events.

5) **Financial Risks** – The risks associated with the capital structure of the Company and reduction of profitability. The Financial risks include the market risks (fluctuations in interest and exchange rates, fluctuations in the price of natural resources), liquidity risks, credit risks (for corporate counterparties, second-tier banks and the requirements in other countries).

2.7. Risk Appetite of the Company

43. The Company defines the level of risk appetite, which reflects the Company's ability and willingness to assume the certain risks in order to achieve the purposes. The adopted performance of the risk appetite is taken as a basis for taking further decisions on core activities and implementing the risk management measures in order not to exceed this level.

СВКУР	Политика управления рисками Акционерного общества «Национальная горнорудная компания «Тау-Кен Самрук»	Стр.12
-------	---	--------