

 QAZAQGAZ ҰЛТТЫҚ КОМПАНИЯСЫ	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 1 of 17

Approved by the decision of the Board
of Directors of JSC NC QazaqGaz
No. 07/25 dated “24” april 2025

**RISK MANAGEMENT AND INTERNAL
CONTROL POLICY OF JSC “NC “QAZAQGAZ”**

Astana, 2025

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 2 of 17

Preamble

Instead of KTG P-02-17. “Policies on the Corporate risk management system of “KazTransGas” JSC and its subsidiaries and dependent organizations, approved by the Decision of the Board of Directors of JSC “NC “QazaqGaz” dated 18.04.2017 No. 8.

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 QAZAQGAZ ҰЛТТЫҚ КОМПАНИЯСЫ	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 3 of 17

Content

1. Purpose and scope of application	4
2. Regulatory references	4
3. Terms and definitions	4
4. Abbreviations and designations	5
7. Functions of participants in the corporate risk management and internal control system.	8
9. Defining the desired risk culture	12
10. Definition of Risk appetite	13
11. Identification of risks	13
12. Risk assessment	13
13. Prioritization of risks	15
14. Responding to risks	16
15. A comprehensive view of risks	16
16. Assessment of significant changes	16
17. Risk and performance analysis (factor analysis)	16
18. Improving the effectiveness of risk management	16
20. Revision, modification, storage and distribution	16
Appendix 1	17
(required)	17

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 4 of 17

1. Purpose and scope of application

1.1 This Risk Management and Internal Control Policy of JSC “NC “QazaqGaz” (hereinafter – the Policy) has been developed in accordance with the Policy of JSC Samruk-Kazyna on Risk Management and Internal Control, the Corporate Governance Code of JSC “NC “QazaqGaz”, and internal documents of JSC “NC “QazaqGaz” (hereinafter – the Company), recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and other best practices in the field of risk management and internal control.

1.2 The Policy defines the basic principles and approaches to the organization of the corporate risk management and internal control system in the Company.

1.3 This Policy applies to all types of activities.

1.4 The Company's officials and employees are obliged to follow the Policy in the performance of their duties and tasks.

1.5 The Policy applies to subsidiaries and dependent organizations belonging to the JSC “NC “QazaqGaz” Group, fifty percent or more of the voting shares (participation interests) of which are directly or indirectly owned by the Company.

1.6 The Policy is posted on the Company's website and its main provisions are disclosed in the Company's annual report. Issues not regulated by the Policy are regulated by the legislation of the Republic of Kazakhstan and other internal regulatory documents of the Company. In the event of changes in the legislation or regulations of the Republic of Kazakhstan and the entry into conflict with them of certain articles of this Policy, these articles become invalid. Until appropriate changes are made to the Policy, it is necessary to be guided by the legal acts of the Republic of Kazakhstan.

2. Regulatory references

2.1 The Policy uses references to the concept of “Risk Management of the organization. Integration with strategy and performance” (“Enterprise Risk Management. Integrating with Strategy and Performance”), developed by the Committee of Sponsoring Organizations of the Treadway Commission.

3. Terms and definitions

3.1 The Policy uses the following terms and definitions:

Owner of the risk	an employee, a structural unit, or a collegial body of the Company responsible for aspects of managing a certain risk;
Owner of the process risk	business process owner;
Internal control	the process designed to provide “reasonable assurance” regarding the achievement of operational objectives, reporting objectives and compliance with legislation and internal regulatory requirements, carried out by the Board of Directors, the Management Board and employees of the Company, is part of the CRMS;
Risk map	graphical representation of the risk register (rectangular table with the vertical axis indicating the impact of risk and the horizontal axis indicating the probability of risk occurrence);
Key Risk Indicator (KRI)	indicator that signals trends in risk factors and the possible realization of risks that may have a negative impact on the Company's activities;
Control (control procedure)	an element of internal control, a documented set of actions, the configuration of systems or the organization of processes that reduce the likelihood of risk realization or mitigate its consequences, a control procedure is an integral part of business processes.;

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 5 of 17

Corporate Management (CRMS) management)	Risk System (risk)	The culture, competencies, and practices integrated into all of the Company's processes (from strategic planning to operational activities) that the Company relies on to create and preserve the value of the Company.;
Risk profile		a comprehensive review of the Company's risks, which allows us to consider the types, degree of influence and interdependence of risks, their consequences on the Company's performance;
Risk Register		a document containing information about identified significant risks of the Company;
Risk		a probable event that may have a negative impact on the achievement of the Company's strategic, operational and business goals;
Risk appetite		the amount of risk and/or loss acceptable to the Company in achieving its goals;
Risk Division		the structural division of the Company responsible for the organization of the risk management and internal control system;
Tolerance		acceptable level of deviation in relation to achieving a specific business goal due to the realization of risk;
Risk Management		The culture, competencies, methods, and approaches integrated into all of the Company's processes (from strategic planning to performance management) that the Company relies on (to manage risks) in creating, maintaining, and realizing value. Risk management is one of the key elements of corporate governance; an integral part of the management decision-making process at all levels of the organization. In the Policy, the terms “risk management”, “risk management”, and “corporate risk management system (CRMS)” are used interchangeably.;
Participant of CRMS		The Board of Directors, its committees, the Internal Audit Service, the Management Board, employees and structural divisions of the Company, the Risk Division, risk coordinators and the Compliance Service.

Terms and definitions not disclosed in the Policy are used in the meaning defined in the legislation of the Republic of Kazakhstan, the Charter and other internal documents of the Company..

4. Abbreviations and designations

4.1 The Policy uses the following abbreviations and designations:

COSO	Committee of Sponsoring Organizations of the Treadway Commission;
ARMS	Automated risk management system;
CRMS	Corporate risk management system;
Company	JSC “NC “QazaqGaz”;
Politics	Policy of the Corporate Risk Management and Internal Control System of JSC “NC “QazaqGaz”;
IAS	Internal Audit Service of JSC “NC “QazaqGaz”.
SDo	Affiliated organizations

5. Responsibility and authority

5.1 The head of the Risk Division is responsible for the development, updating of the Policy, as well as providing explanations of the Policy provisions.

5.2 The Risk Division ensures that the Policy is posted on the Company's website, as well as the disclosure of the main provisions of the Policy in the Company's annual report.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 6 of 17

4.3 The members of the Board of Directors, the Management Board of the Company and other employees of the Company are responsible for the correct application of the Policy provisions.

6. Core part

6.1. Goals and objectives of the corporate risk management and internal control system.

6.1.1 CRMS is one of the elements of corporate governance, an integral part of the planning and management decision-making processes and is designed to provide reasonable assurance of achieving strategic and operational goals.

6.1.2 The objectives of CRMS are:

- a) increasing the risk culture and integrating CRMS into all aspects of the Company's activities;
- b) reducing the volatility of the Company's performance due to the Company's ability to prevent situations that threaten the achievement of goals, respond effectively to negative events and reduce the consequences of such situations (if they occur) to an acceptable level;
- c) using opportunities to increase the value and profitability of the Company in the long term.
- d) creation of a risk management system so that Risk Owners independently identify and assess risks, apply standard risk management methods and develop risk mitigation measures or risk management control procedures based on them;
- e) integration of the risk management process into the key business and management processes of the Company;

6.1.3 CRMS begins with each employee of the Company, and therefore the effectiveness of CRMS has certain limitations. Mistakes, collusion of two or more persons, and other limitations related to the human factor do not allow for an absolute guarantee of achieving the company's goals, but lead to the possibility of providing only reasonable assurance.

6.1.4 In order to avoid misunderstandings in the interpretation of CRMS, the following important points should be noted:

- a) Risk management is not just a function or department. Risk management is a culture, competencies, and practices integrated into all company processes.;
- b) Risk management is not limited to the risk registration process and is not only related to internal control. Risk management is interconnected with strategy, corporate governance, communication with stakeholders and performance management;
- c) Risk management focuses on creating and preserving value, focuses on risk culture and a comprehensive risk review;
- d) Risk management is not a checklist. Risk management includes principles according to which business processes can be built and is a system for monitoring and improving business performance.
- e) The business process owner is personally responsible for the risk management process in his field of activity.

6.2. Components of the corporate risk management system

6.2.1 In order to ensure the effective functioning of the risk management process, the Company is guided at all levels of its activities by the following interrelated components of the CRMS:

1) **Corporate governance and culture.** Corporate governance and culture together form the basis of all other components of an organization's risk management. Corporate governance sets the tone for an organization by reinforcing the importance of the organization's risk management process;

2) **Strategy and goal setting.** Risk management in the Company is integrated into the strategy of increasing shareholder value through the process of defining strategy and business goals. Having an

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 7 of 17

understanding of the business context, Company can gain an understanding of internal and external factors and their impact on risk.;

3) **Operational efficiency.** The Company identifies and evaluates risks that may affect the Company's ability to implement its strategy and achieve its business goals.;

4) **Analysis and revision.** Through performance analysis, the Company can assess how well the Company's risk management components are functioning over a certain period and in the event of significant changes, as well as what changes need to be made.;

5) **Information, communication and reporting.** Communication is a continuous, repetitive process of receiving and sharing information throughout Company. Management uses information from both internal and external sources to support the Company's risk management process. The Company provides for regular reporting on risk management

6.2.2. Internal control consists of components that closely overlap with the components of CRMS: the control environment (includes organizational structure, honesty and ethical standards, philosophy and leadership style, personnel policy, employee competence, intersects with the component "management and culture"), risk assessment (closely overlaps with the component “performance”), control procedures (part of risk management), information and communication, monitoring (closely intersect with the components “monitoring and implementation of changes”, “information, communication and reporting”).

6.2.3. Considering that internal control is an integral part of CRMS and the components of CRMS and internal control closely overlap, in order to avoid duplication of principles that are similar in meaning, the Policy presents principles only on the structure of CRMS with an extension in terms of describing the requirements for control procedures. This should take into account, among other things, the following:

- Whereas CRMS focuses on creating and preserving value, internal control focuses on taking measures to respond to risks of not achieving specific goals;
- The CRMS concept, unlike the concept of internal control, includes the definition of Risk appetite, Tolerance, and a comprehensive risk review, and focuses on risk culture, while the above significantly affect the functioning of the internal control system.

6.3. Basic principles of the corporate risk management system.

6.3.1 Basic principles in the field of risk management, but not limited to the following:

1) **Integration.** Risk management is an important component of corporate governance and an integral part of the Company's overall management system. Risk management processes should be integrated into key business processes, including business planning and setting strategic goals. Risk management affects all business functions, structural divisions, and working bodies (commissions, working groups) of the Company. Risk management is directly interconnected with the internal control system, including through the establishment of risk appetite, cascading goals and related risks, ensuring the organization of risk management at the process and operational levels of activity.

2) **Consistency and continuity.** Risk management is systemic in nature and is a continuous process that involves the regular and consistent implementation of the risk management process and adapts to changing conditions of the internal and external environment.

3) **Integrity.** Individual risks are managed and various risk management processes are implemented within the overall risk management system.

4) **Economic feasibility.** The risk management system should be consistent with the size, organizational structure, strategy, and goals of the Company. The risk management process should take into account a reasonable balance between the costs of risk management and the cumulative impact of risks on the Company, taking into account the likelihood of risks (the cumulative level of risks). The allocation of financial and other resources for measures and measures to minimize risks is carried out taking into account the degree of importance of the risk to Company, determined by the level of risk, as well as the priority of the risk response and the expected effect of the event.

 QAZAQGAZ ҰЛТТЫҚ КОМПАНИЯСЫ	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 8 of 17

5) Responsibility. Risk management is the responsibility of both the Company's Management and all structural divisions, working bodies and employees.

6.4. "Three Lines of Defense" model.

6.4.1. The CRMS architecture of the Company is based on the principle of three lines of defense.

6.4.2. The first line of defense is provided by all structural divisions of the Company, represented by each employee within their competence. Heads of structural divisions are responsible for identifying, measuring (evaluating), collecting and providing information about identified risks to the Risk Division, and monitoring the risk inherent in their activities, including those related to personnel, products (services), processes and systems. The heads of structural divisions are also responsible for the timely development and execution of action plans to minimize identified risks, identify/document/improve control design and perform control procedures, and develop a risk matrix and controls within the framework of the assigned business processes on an ongoing basis. The members of the Management Board are responsible for ensuring the implementation and control of procedures provided for in internal risk management documents within the supervised departments.

6.4.3. The second line of defense is provided by the departments responsible for the management of operational, financial, legal, compliance risks, as well as risks in the field of occupational safety, industrial, corporate security and environmental protection. The second line of defense is responsible for monitoring the implementation by structural divisions (business functions) of effective risk management and internal control practices, compliance with legislation and internal regulatory documents of the Company. The second line of defense may include other units that are independent of the first line of defense and perform control and/or supervisory functions.

6.4.4. The third line of defense (independent guarantee) is provided by the Company's Internal Audit Service (hereinafter – the IAS). The IAS conducts an independent efficiency audit and contributes to the improvement of risk management and internal control, reports directly to the Audit Committee and the Board of Directors of the Company, provides them with an independent assessment of the effectiveness of the risk management and internal control system.

7. Functions of participants in the corporate risk management and internal control system.

7.1. The Company's Board of Directors plays a key role in overseeing CRMS and performs the following functions in the field of risk management:

7.1.1. within the framework of the Policy: approves the principles and approaches to the organization of CRMS, the requirements for the organization of internal control and control procedures, the distribution of roles of CRMS participants in the field of risk management and internal control of the Company;

7.1.2. approves Risk Appetite, Tolerance, Key Risk Indicators, Register, Risk Map, Risk Response Plan, consolidated risk reports of the Company;

7.1.3. ensures proper consideration of issues within the competence of the Board of Directors of the Company, taking into account the associated risks when making decisions;

7.1.4. takes appropriate measures to ensure that the current risk management and internal control system complies with the principles and approaches to its organization defined by the Company's Board of Directors and functions effectively, including (but not limited to) Reviews the reports of the Internal Audit Service on the assessment of the effectiveness of CRMS and internal control, analyzes the conclusions of external auditors on improving internal control and risk management.

7.2. The Board of Directors of the Company should regularly determine for itself whether it has the necessary independence, skills, experience and business knowledge and whether it has access to complete information on current issues of the Company's activities to oversee risk management and internal control.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 9 of 17

7.3. The Audit Committee of the Company provides assistance to the Board of Directors of the Company in matters of control over the reliability and effectiveness of CRMS and internal control.

7.4. The Management Board of the Company is responsible for the organization of effective CRMS and performs the following functions:

7.4.1. implementation and enforcement of the provisions of this Policy and other internal risk management documents;

7.4.2. within the framework of the Policy and for the purpose of its proper implementation, approves relevant internal documents describing individual procedures, processes, and instructions on risk management;

7.4.3. submitting risk management reports for consideration and approval by the Board of Directors and the Audit Committee in accordance with the procedure determined by the Board of Directors.;

7.4.4. review and preliminary approval of the Company's risk management reports on a consolidated basis and take appropriate measures within its competence;

7.4.5. organization of effective CRMS functioning, which makes it possible to identify and assess the Company's risks;

7.4.6. review of reports on the effectiveness of the risk management and internal control system;

7.4.7. approval of measures to respond to risk events in the Company and some of the Group's activities within the framework of regulatory documents approved by the Board of Directors;

7.5. The Risk Management Committee under the Management Board of the Company performs the following functions:

7.5.1. review and preliminary approval of drafts of the Company's internal and other risk management documents;

7.5.2. control over the periodic updating and improvement of approved risk management documents, as well as the organization of systematic training of managers and employees of the Company on the requirements and aspects of these documents;

7.5.3. coordination of risk management methods proposed by structural divisions based on the results of identification, classification and assessment of risks from the list of risk management methods existing in internal risk management documents;

7.5.4. consideration and preparation of proposals based on the results of control and monitoring of the state of risks, the Company's compliance with the maximum permissible risk limits and the execution by the Company's divisions of internal risk management documents;

7.5.5. coordinating the interaction of structural units in the risk management process;

7.5.6. submission of a risk management report to the Company's Management Board;

7.5.7. preliminary review and approval of risk appetite and tolerance levels for key risks;

7.5.8. review and approval of risk holders within the Consolidated Risk Register;

7.5.9. preliminary review and approval of the Consolidated Risk Register, including action plans for risk minimization and risk maps to it;

7.5.10. review and approval of key risk indicators;

7.5.11. preparation of proposals for the organization and maintenance of an effective risk management system;

7.5.12. review of recommendations of external auditors, consultants and the internal audit service on risk management, review of the effectiveness of measures taken by the Company's divisions to solve problems identified by external auditors, consultants and the internal audit service;

7.5.13. other functions in accordance with the Regulations on the Risk Management Committee under the Management Board of the Company.

7.6. The Risk Division performs the following functions:

7.6.1. coordinates risk management and internal control processes in the Company;

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 10 of 17

7.6.2. ensures the functioning of the internal control environment, monitors control procedures in the Company;

7.6.3. develops and updates internal regulatory documents in the field of risk management and internal control for the Company and its subsidiaries, informs risk owners about approved documents, and makes proposals on integrating risk management and internal control into business processes.;

7.6.4. quarterly, no later than the 20th day of the second month following the reporting quarter, forms a consolidated risk management report;

7.6.5. annually generates a Risk appetite;

7.6.6. when reviewing investment projects and other materials submitted for consideration by the Management Board, the Board of Directors and other working bodies of the Company, critically assesses the completeness of the risks identified by the risk owners and the adequacy of measures to respond to these risks.;

7.6.7. control over the execution by structural divisions of internal documents on CRMS;

7.6.8. organization and holding of meetings and working meetings with heads of structural divisions on the identification and assessment of identified and potential risks of the Company, as well as methods of managing these risks;

7.6.9. initiating the development of a risk mitigation action plan by risk owners (as part of the risk registration process in the ASUR) and coordinating work on its implementation;

7.6.10. administers the database of realized and potential risks in the ASUR.

7.6.11. participation in meetings of the Risk Management Committee under the Management Board of the Company;

7.6.12. development of key risk indicators (together with the risk owner) and formation of a panel of key risk indicators;

7.6.13. monitoring the current status of key risk indicators, and based on this information, forming reports to the Risk Management Committee under the Management Board of the Company.

7.6.14. organizes training as necessary, provides methodological and practical support to risk owners and companies in the field of risk management and internal control.;

7.6.15. annually conducts an anonymous survey of the Company's employees to determine the level of risk culture.

7.6.16. administration of the corporate risk insurance program of the Company and UP to:

- consideration and development of recommendations regarding the parameters of the organization of the Company's corporate insurance protection program;

- consideration and development of recommendations to the relevant bodies of the Company, members of the Boards of Directors / Supervisory Boards of subsidiaries who are employees of the Company, representing the interests of the Company in the bodies of subsidiaries on insurance and compliance with the Corporate Standard for insurance protection in JSC Samruk-Kazyna and legal entities, more than fifty percent of the voting shares (participation interests) of which are directly or indirectly owned by JSC “Samruk-Kazyna” on the right of ownership or trust management;

- review of reports on insurance coverage of risks of the Company's Group.

7.6.17. ensures the development of business continuity plans that regulate how to manage incidents, restore and maintain activities to a set level in the event of violations (including a continuity plan in the field of information technology);

7.6.18. interacts with the IAS, including, but not limited to, the formation of an annual audit plan, a guarantee card, discusses the results of audits and monitoring of control procedures, and shares knowledge and methodologies.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 11 of 17

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

7.7.1. timely identification and registration of information on all realized and potential risks in the ASUR risk database in the field of its activities;

7.7.2. timely formation and approval of action plans to minimize/prevent identified risks, if necessary;

7.7.3. implementation of approved action plans to minimize/prevent identified risks and coordination of actions of event participants;

7.7.4. timely preparation of risk management reports, including progress in the implementation of Action Plans to minimize/prevent identified risks and their submission to the Risk Division for consolidation;

7.7.5. participation in the development of methodological and regulatory documentation and the formation of proposals on methods and methods of risk management within their competencies;

7.7.6. development of specialized methodological and regulatory documentation and formation of proposals on methods and methods of risk management, the owners of which are;

7.7.7. monitoring external/internal factors that could potentially lead to changes in previous risk assessment results, and transmitting relevant information to the Risk Division;

7.7.8. participation in the development of risk culture in Company.

7.8. For the effective organization of CRMS work, a risk coordinator is appointed in each structural unit, whose responsibilities include organizing risk management work in his structural unit and cooperating with the Risk Unit at all stages of the implementation of CRMS procedures. In order to maintain and enhance the risk culture in the Company, training is conducted to familiarize new employees and periodically familiarize all employees of the Company (at least on an annual basis) with the current CRMS of the Company. Upon completion of the training, risk coordinators take a control test to confirm their knowledge.

8. The relationship of the risk management process with the processes of strategic planning and operational activities, budgeting, investment and financial activities, and staff motivation

8.1. The relationship between the risk management process and the strategic planning process includes (but is not limited to) the following:

8.1.1. the process of developing a strategy to increase shareholder value should include the identification and analysis of risks that may affect the achievement of set strategic goals, which is carried out by the owners of strategic initiatives.;

8.1.2. The Company's shareholder value enhancement strategy should provide for a set of measures aimed at minimizing the potential loss/damage (adverse effect) of the main risks associated with the implementation of planned strategic initiatives.

8.2. The relationship between the risk management process and the operational activity process includes (but is not limited to) the following:

8.2.1. Risk owners manage risks in the course of their activities;

8.2.2. As part of their current activities, structural divisions should ensure the development and execution of risk management action plans (as well as, if necessary, their individual stages);

8.2.3. The risk Owner must objectively assess the time and administrative resources required to implement the proposed risk management action plan and reflect the assessment in the relevant risk report.;

8.2.4. The Company's Management Board must allocate the necessary time and administrative resources to carry out the activities provided for in the risk management action plans.;

8.2.5. Initiators of issues submitted for consideration by the Management Board and the Board of Directors of the Company include in their materials (explanatory notes) paragraphs describing the risks associated with both acceptance and rejection of decisions.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 12 of 17

8.2.6. In the event that the implementation of risk management action plans requires the involvement of temporary or administrative resources from two or more functional divisions, the Risk Owner must coordinate the allocation of appropriate resources with the heads of these divisions.

8.3. The relationship of the risk management process with the process of investment activity and financial activity (in obtaining, providing loans, financial assistance, financial guarantees) includes (but is not limited to) the following:

8.3.1. initiators of investment projects in the process of reviewing and developing investment projects should provide for the identification and analysis of risks that may affect the implementation of the investment project and the achievement of the objectives of the investment project. There should also be a set of measures aimed at minimizing the potential loss/damage (adverse effect) of the main risks associated with the implementation of the project.;

8.3.2. initiators of the process of obtaining a loan (raising borrowed funds) should include an analysis of the risks of the financial stability of the Company, an analysis of the effect on compliance with the standards established by internal documents, external creditors (if any);

8.3.3. Initiators of the process of providing credit (loan), financial assistance and financial guarantees to counterparties should include a credit risk analysis.

8.4. The relationship between the risk management process and the budgeting process. Before approving the risk management action plan, Risk owners need to provide the necessary financial resources for the implementation of the action plan and work out this issue with the structural unit responsible for budgeting. In order to respond in a timely manner to reduce the consequences of realized risks, it is allowed to form a reserve fund in the process of forming the Company's budget.;

8.5. The relationship between the risk management process and the staff motivation process includes (but is not limited to) the following:

8.5.1. the responsibilities of CRMS participants for the implementation of procedures provided for in internal risk management documents should be formally fixed and monitoring of the fulfillment or non-fulfillment of relevant responsibilities during the reporting period should be ensured;

8.5.2. incentive mechanisms designed to motivate the Company's managers and employees to act properly within the framework of the risk management system, in accordance with established deadlines and targets.

9. Defining the desired risk culture

9.1. Risk culture is the beliefs, understanding and knowledge in the field of risk management shared and applied by all officials and employees of the Company in the performance of their duties. Risk culture is the basis of risk management and a part of the corporate culture of the Company. The level of risk culture is determined by practices and approaches for identifying, assessing and managing risks from the moment the strategy is developed to its implementation and monitoring of the Company's performance.

9.2. The risk culture is based on four principles:

9.2.1. The tone is at the highest level: The Board of Directors and the Management Board of the Company set the tone from above and, when making decisions, proceed from an optimal balance between long-term value, profitability and risks associated with both making and not making decisions. The Board of Directors and the Management Board of the Company encourage risk-oriented behavior among subordinates. Each issue on the agenda of meetings of the Company's bodies should be accompanied by an analysis of risks and compliance with risk appetites.

9.2.2. Corporate governance: all officials and employees of the Company are clearly aware of their area of responsibility and authority for risk management. Employees, within their competence, understand the risks, manage them and properly inform stakeholders about the risks.

9.2.3. Decision-making: open communication and transparency of risk information promote an

 QAZAQGAZ ҰЛТТЫҚ КОМПАНИЯСЫ	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 13 of 17

open and constructive discussion of related risks and potential opportunities between employees and officials of the Company and allows them to jointly make effective decisions in response to external challenges.

9.2.4. Competence: the organizational structure of the Company is based on the “three lines of defense” model.

10. Definition of Risk appetite

10.1. Decisions related to choosing a strategy and determining risk appetites are not linked by linear relationships, when one precedes the other. Approaches to determining the Company's risk appetites are determined based on the specifics of its activities and take into account the risk profile.

10.2. Risk appetites can be set in the form of qualitative and/or quantitative indicators, and take annual values (for example, operating losses accumulated during a financial year should not exceed 10% of EBITDA).

10.3. Risk appetites are integrated into decision-making processes at all levels of Company. Compliance with risk appetites is mandatory for the Company's employees when conducting transactions, initiating transactions, analyzing projects, and for the Company's officials when making management decisions.

11. Identification of risks

11.1. The purpose of the risk identification procedure is to identify risks and include them in the risk register. Risks are identified both during the quarterly risk inventory and in the course of ongoing activities, when analyzing business processes, reviewing various projects (for example, investment projects) and when making decisions. Quarterly risk identification is carried out through the prism of the impact on the strategic and business goals of the Company.

11.2. Approaches to risk identification may vary depending on the risk profile and the specifics of the business context under consideration. The following methods and tools can be used to identify risks (but not limited to):

- identify risks that may affect the achievement of set goals, objectives, and key performance indicators;
- Industry comparisons are conducted to identify potential events specific to organizations similar to the Company in terms of industry specifics or functional activities;
- discuss the risks within each structural unit to determine the risks affecting the activities of each such unit and the Company as a whole;
- surveys, discussions on existing and potential risks and ways to mitigate them,
- Financial and management reports, audit results, reports on internal investigations, etc. are analyzed;
- Near Miss analysis - violations of business processes, operational, and production regulations that could have led to risks, but did not (the greater the number of Near Misses, the higher the likelihood of risk),
- SWOT analysis, which includes analysis of internal (strengths and weaknesses) and external (threats and opportunities) factors.

12. Risk assessment

12.1. The risk assessment process is carried out in order to prioritize risks. Risk assessment methods may vary depending on the risk profile and the specifics of the business context in question.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 14 of 17

12.2. Risk assessment is carried out through an assessment of the probability and impact of risk, in the form of distributions or tornado diagrams (different decision-making processes use different tools, or decision trees, or simulation modeling, or a combination of several methods).

12.3. Approaches to risk assessment can be quantitative and qualitative. Quantitative assessment allows for more accurate analytical data. Risks that cannot be quantified (there is no reliable statistical information for their modeling or the construction of such models is not cost-effective) are assessed on a qualitative basis.

12.4. The following methods and tools can be used for quantitative assessment:

- assessment based on the value of property that may be damaged as a result of the occurrence of risk. With this model, scenarios of material damage are constructed upon the occurrence of risk, and the replacement value of property that may be damaged and subject to subsequent repair or replacement is calculated. It is usually used to quantify operational risks (material damage to property as a result of man-made disasters, fire, etc.);
- assessment based on the calculation of lost income. Such an assessment is usually used to assess the risks of production interruption or supply disruption;
- Assessment based on comparative analysis. The assessment of the maximum damage from certain types of risks cannot be calculated using any formulas, and therefore precedent statistics (industry and territorial) are used to quantify such risks. To assess such risks, the scenarios of their occurrence and the parties that may be involved (suffer damage) are usually assessed, as well as the overall impact of such a risk, and based on existing information (statistics) on the cost of damage in the implementation of such scenarios, the maximum possible damage is determined;
- Estimation based on statistical models. This assessment is used for risks that have a specific monetary value and dependence on certain external factors and are based on the construction of statistical dependencies. The main methods of risk assessment within the framework of this approach may include Value at risk - VaR, Cash flows at risk - CFaR), stress testing (single-factor and multifactorial, historical and expert);
- an assessment based on a statistical analysis of the sources of operational risks allows us to make a forecast of potential operational losses based on the size of operational losses that have occurred in the past.

12.5. As part of the risk assessment, risk owners and the Risk Division distinguish between inherent (risk, in the absence of response measures) and residual (risk, taking into account response measures) risk. Comparing these values allows us to identify measures that were not effectively planned or implemented.

12.6. Information on the most significant risks (risk register) should be submitted for consideration by the Board of Directors (risks affecting the achievement of strategic and business goals set by the Board of Directors of the Company).

If a significant risk is detected that was not previously included in the risk register, an employee of the Company must inform the risk department about it, which analyzes the information received and, if necessary, includes the new risk in the risk register.

To ensure comparability of risks, a point scale is introduced in the risk register, which is submitted to the Board of Directors of the Company:

Probability of risk

Mark	Meaning	Frequency or probability
1	Very rarely	Every 7 years or more (or a probability of up to 5%)
2	Rarely	Every 5 years (or a probability of up to 25%)
3	From time to time	Every 3 years (or a probability of up to 40%)
4	Often	Once a year (or up to 80% chance of occurrence)
5	Very often	Every six months or more (or the probability of occurrence is over 80%)

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 15 of 17

Impact of risk (quantification)

Mark	Degree of influence	Potential loss from the onset of risk
1	Insignificant	Below 25% of the quantitative risk appetite level
2	Notable	25-50% of the level of quantitative risk appetite
3	Large	50-75% of the level of quantitative risk appetite
4	Critical	75-100% of the level of quantitative risk appetite
5	Catastrophic	Above the level of quantitative risk appetite

Impact of risk (qualitative assessment)

Mark	Degree of influence	Consequences of risk realization
1	Insignificant	Absence of any consequences
2	Low	The consequences are minor
3	Average	The consequences are minor and can be completely fixed.
4	Significant	The consequences are significant, but they can be fixed.
5	Catastrophic	Company will hardly be able to recover from the consequences.

The risk register can be represented graphically as a Risk Map. The Risk Map is used as a tool for graphical visualization of the materiality of risks (the coordinates of the risk on the Risk Map correspond to its impact and probability).

12.7. The risk map includes several areas highlighted in different colors: red, orange, yellow and green zones.

12.8. Risk identification numbers are applied to the Risk Map (in accordance with the Risk Register) depending on the frequency (probability) of occurrence and the size (impact) of the risk.

12.9. Key risk indicators (KPIs) can be developed for risks, through which the risk profile will be monitored.

12.10. The developed KPIs are displayed in the Risk Register and approved simultaneously with the issuance of the Register and the Risk Map for the next year. Information on KP may include: calculation formula; sources of information; unit of measurement; frequency of monitoring; threshold level; direction of KP, signaling the possible realization of the risk.

12.11. Depending on the purpose, there are:

- Advanced KPIs are used to identify risks that may occur in the near future;
- Final KPIs are used to identify risks that have already been realized and may be realized again.

KPIs should be measurable, comparable in time, understandable, and data sources for their calculations should be available.

13. Prioritization of risks

13.1. The Company prioritizes risks in order to determine an adequate strategy for responding to risks and allocating resources for their management.

13.2. In addition to the results of the assessment, the following criteria may be taken into account when prioritizing risks: the Company's ability to adapt to and respond to risk, the interdependence of risks, which increases the complexity of managing them, the speed of the impact of risk on activities, the duration of the negative impact of the consequences of risk, and more.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 16 of 17

14. Responding to risks

14.1. There are 5 types of risk response strategies:

- risk taking – there are no plans to take measures to minimize risks, as the level of risk is acceptable to the Company,
- Risk avoidance – abandoning activities that lead to risk,
- a deliberate increase in risk in order to obtain greater benefits,
- risk reduction - the impact on risk through the use of preventive measures and planning actions in case of risk realization,
- transfer (financing) of risk - transfer to another party or partial distribution of risk.

14.2. The management of a certain type of risk is described in separate internal documents of the Company (for example, measures to manage risks related to human resources are described in documents regulating the Company's personnel and social policies). The Company uses a variety of individual risk management approaches for each of the key business processes/decision-making types.

14.3. The Company's Board of Directors monitors the actions of the Company's Management Board to manage significant risks identified in the risk register. To do this, the structural units submit information on risk response measures to the risk department..

15. A comprehensive view of risks

A comprehensive view of risks makes it possible to identify compensating risks (acting as a natural hedge), risks with positive and negative correlations, the significance of which increases/ decreases along with their gradual consolidation at the corporate level.

16. Assessment of significant changes

Company monitors external and internal changes that may significantly affect the strategy and business plans, updates business plans, risk appetites, and risk response measures if necessary.

17. Risk and performance analysis (factor analysis)

17.1. Risk and performance analysis is integrated into the Company's activities. The Company reviews the results of its activities, including in the context of individual areas, considering risks.

17.2. If the Company's performance exceeds acceptable deviations, it may be necessary to review business goals, desired culture, risk appetites, risk prioritization, and response measures.

18. Improving the effectiveness of risk management

The Company strives for continuous improvement of CRMS at all levels of management. If necessary, they update risk management policies and procedures, improve the design of control procedures within the framework of the business processes entrusted to them.

19. Use of information and technology

Building an information infrastructure should take into account flexibility in decision-making. To support its activities, the Company uses technologies and information systems that should ensure effective risk management of the supported activities. Information technologies are used based on the benefit–cost analysis.

20. Revision, modification, storage and distribution

20.1. The Policy is reviewed, amended, stored, and distributed by the risk department.

20.2. The scanned and Word version of the Policy is posted in the IMS database of the Company. The Policy is also posted on the Company's website and its main provisions are disclosed in the Company's annual report.

	JSC “NC “QazaqGaz” corporate risk management system	
Version: № 1 Identification code: P-03-25	Risk Management and Internal Control Policy of JSC “NC “QazaqGaz”	Page 17 of 17

Appendix 1
(required)

Structure and content of the risk management report*
_____ for _____ 20__
(Company/Company's enterprise) (Reporting period)

1. Consolidated Risk Register and Risk Map:

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

The status of Tolerance and Risk Response Plan.

Separate identification of critical risks with an indication of the causes and an Action Plan to respond to them.

The status of the implementation of the Action Plan for responding to Critical Risks for the reporting quarter.

Information about non-fulfillment of the Risk Response Plan (if any).

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

2. A report on compliance with Risk Appetite and, if necessary, proposals for reviewing Risk Appetite.

3. Reporting on financial risks and other risks in accordance with internal regulatory documents on the management of certain types of risks.

4. Information on realized risks with mandatory indication of damage (in quantitative, if possible, its calculation, and in qualitative assessment) and actions taken to respond to these risks with an assessment of the effectiveness of measures. This section should also include information on accidents and catastrophes, and accidents at work.

5. Information on significant deviations from the established risk management and internal control processes (if any).

6. Activities carried out to improve CRMS and internal control in accordance with the recommendations of the IAS (if any).

7. Information about the corporate risk reinsurance program implemented in accordance with the internal regulatory document on the organization of insurance protection.

* *Changes and additions may be made to this list if necessary.*