

APPROVED  
by the resolution of the Board of directors  
of “KazAgro” National management holding” JSC  
dated December 12, 2013. Protocol No. 17

**Concept  
of corporate risk management system of “KazAgro”  
National management holding” joint stock company**

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## **1. General provisions**

1. “KazAgro” National management holding” joint stock company (hereinafter – the Holding), taking the present Concept of corporate risk management system (hereinafter – the Concept) shows its adherence to state and international standards of risk management. The Holding recognizes importance of corporate risk management as a key component of corporate management system of the Holding and its subsidiary joint stock companies (hereinafter – the Holding and its subsidiaries) aimed at timely identification and measures taking to reduce risks level, which may negatively affect cost and reputation of the Holding and its subsidiaries.

2. The Holding in accordance with the present Concept defines risk as event probability which may affect purpose and intent achievement posed before the Holding and its subsidiaries. The Holding recognizes importance of corporate risk management for minimization of undesired events and use of occurring opportunities and advantages.

3. Corporate risk management system means risk management at the level of the Holding in whole and its subsidiaries, and is a process implemented by the Board of directors, Executive Board and structural subdivisions both of the Holding and its subsidiaries. It is aimed at revealing of potential events which may affect the Holding and management if risks related to these events.

4. The Holding sets itself a task to improve and develop corporate risk management system within the Holding as it is a necessary condition for achievement of strategic, operating, financial goals and goals of correspondence to legislative and other requirements.

5. Subsidiary joint stock companies of the Holding for functioning of risk management system develop and support the policy, procedures and instruments of risk management. At that development of policies, procedures and instruments of risk management is based on provisions of the present concept, international standards, and takes into account field of subsidiaries activities.

6. The Holding coordinates activities for development and improvement of corporate risk management in the Holding and its subsidiaries, to form the unified approach to general risks management within the Holding group of companies.

## **2. Application**

7. The present Concept applies to all kinds of activities of the Holding group of companies. The Concept is obligatory for information and application by all structural subdivisions and employees of the Holding.

## **3. Mission**

8. Mission of the present Concept is:

1) Establishment and development of complex system of risk

management of the Holding and its subsidiaries which allows management and executive bodies to effectively distribute assets, manage it and receive the most return from such investments through evaluation, measuring, control and monitoring of risks based on principles of independence, objectivity and professional competence;

2) Delivery of information till all interested parties about main principles and approaches used at functioning of corporate risk management system of the Holding and its subsidiaries.

#### **4. Purpose and intent**

9. The present Concept establishes the following purposes and intents:

1) **Purpose:** to define main principles and approaches of corporate management system of the Holding;

2) **Intent:** to provide basis for establishment and constant improvement of corporate risk management process in the Holding and its subsidiaries. Process of corporate risk management shall encourage obtaining by executive and management bodies of the Holding and its subsidiaries of timely and full information about inherent risks, methods and decisions for risks minimization, in order to receive reasonable assurance of stable activity of the Holding and its subsidiaries.

#### **5. Position of management**

10. The Holding management in person of the Board of directors and executive body confirms its adherence to the present Concept and takes constant practical steps aimed at increase of risk management efficiency.

11. The Holding management in person of the Board of directors and executive body takes measures to increase transparency on risk management matters and provision of open channels for information obtaining from any employee or interested party of the Holding and its subsidiaries.

#### **6. Risk management policy**

12. To provide stability of its activity the Holding has introduced and supports through constant improvement the Policy of risk management which follows principles of the best practices in risk management.

13. The Holding in taken Risk management policy confirms its adherence to the best practices in risk management including the following:

1) ISO 31000 “Risk management – Principles and Guidelines”;

2) COSO Model “Risk management of organization – integrated model”.

The Holding does not exclude recognition of the other standards and practices, which value may increase efficiency of risk management.

14. Subsidiary joint stock companies of the Holding introduce and support Risk management policy, and at that following the provisions of the present Concept.

15. Risk management policy includes:

1) definite and established purposes and intents of risk management system which correspond to purposes of the Holding and its subsidiaries;

2) successive and regular steps for implementation of process of corporate risk management as component of management, including:

identification and evaluation of risks;

control over risks through implementation of risk management strategies and measures. Measures for risk management shall be implemented with account of its economic viability, i.e. measures cost for risk management shall not exceed sum of possible losses occurring at implementation / ensue of this risk;

functioning of risks monitoring system and reporting for timely detection and informing of executive and management bodies about significant risks;

3) matters of integration of risk management process to all processes of organization. Risk management integration process shall be provided to processes of strategic planning, annual planning and budgeting, attraction and distribution of financial resources, assets investment and process of investment projects evaluation;

4) matters of informing, constant training and support of employees' motivation in order to support and improve corporate risk management system and observance of corporate standards of risk management.

16. Subsidiary joint stock companies of the Holding at drawing up and implementation of the risk management policy take into account the present Concept and sectorial specifics of its activity.

17. Effectively functioning system of risk management presents reasonable assurance of stable activity and stable development of the Holding and its subsidiaries. Effective risk management system may give the following profits:

1) More control and reasonable assurance in achievement of purposes the Holding and its subsidiaries;

2) Reduce of negative effect from possible risks and reduce of instability level through providing of acceptable risks by the Holding and its subsidiaries adequate to activity scales;

3) Observance of requirements of the laws and management, including regulator (the Committee for financial market and financial organizations control and supervision of the National Bank of the Republic of Kazakhstan), and timely response to change of legislative and regulatory requirements;

4) Ability to monitor and timely response to changes in external environment;

5) Ensuring and protection of interests of shareholders and other interested parties of the Holding and its subsidiaries with account of that that shareholders and other parties are interested stable activity of the Holding and its subsidiaries, risks taken by the Holding and its subsidiaries so not create

threats for existing.

6) Strengthening of competitive advantages of the Holding and its subsidiaries due to:

provision of unified understanding of risks at the level of the Holding and its subsidiaries and strategic planning with account of level of taken risk;

increase of capital management efficiency and increase of market cost of the Holding including at the level of the Holding group of companies;

7) Improvement of quality of decision-taking process;

8) Improvement of performance indicators efficiency;

9) Increase of investors' confidence due to establishment of transparent risk management system increase of control over losses and expenses, and maintenance of optimal controlling environment for expenses.

Subsidiary joint stock companies of the Holding are based on provisions of the present Concept, state and international standards and best practices in risk management at establishment, support and improvement of risk management system.

18. Subsidiary joint stock companies of the Holding during risk management take into account applicable and reasonable practices of the Holding in risk management.

## **7. Documents and procedures of risk management system**

19. The Holding and its subsidiaries introduces policies, rules, methods and procedures of corporate risk management stepwise. Structural subdivisions implementing risk management of the Holding and its subsidiaries, on periodical basis analyze gaps and shortages of risk management system for development of corporate risk management system.

20. The present Concept is reconsidered if necessary, but not less than once in 3 years.

21. Regulating documents of risk management system are reconsidered if necessary, but not less than once a year to provide observance to the Holding purposes. Reconsideration of documents is implementing with account of constantly changing external environment, best practices of risk management, and own experience and with account of sectorial specifics of organization activity.

22. Structural subdivisions implementing risk management are responsible for effective functioning and development of corporate risk management system. Documents regulating process of risk management are developed by structural subdivisions implementing risk management of the Holding and its subsidiaries. These documents are submitted for approval by management and executive bodies of the Holding and its subsidiaries.

23. Risk management process is carried out in accordance with purposes and intents of the Holding and its subsidiaries.

24. The Holding and its subsidiaries on constant basis identify risks using different methods and instruments. Risks identification is implemented both from point of view of the past experience and future possible events and shall account

internal and external factors of risk occurrence. Identified risks require evaluation and formation of response measures. At that, possibilities are accounted and integrated in process of strategy and goal definition development.

25. Main result of risks identification is formation of the unified risks classifier (Attachment 1 to the present Concept), risks register of the Holding and its subsidiaries. The unified classifier and risks registers are reconsidered, adjusted and supplemented on periodical basis, but not less than once a year.

26. The Holding and its subsidiaries conduct risks evaluation for risk influence to achievement of purposes posed for the Holding and its subsidiaries. The Holding and its subsidiaries evaluate risks from possibility of these risks occurrence and influence. At risks evaluation a combination of qualitative and quantitative methods is used. Results of risks evaluation are reflected on Risks map. Risks map allow to evaluate relative significance of each risk (compared with other risks), and to determine risks which are critical ones and require development of actions for their management, with subsequent information of management bodies in accordance with the Policies for risk management.

27. Information is submitted to management bodies for risks evaluation on periodical basis not less than once a quarter.

28. The Holding and its subsidiaries define actions for response to critical risks. Actions for response take into account the following:

- 1) Change of risks occurrence frequency at such actions application;
- 2) Change of risks volume at such actions application;
- 3) Resource spend to such actions implementation, cost of actions for risk management shall not exceed volume of possible losses from such risks;
- 4) Responsible structural subdivisions/persons and terms of implementation.

29. The Holding and its subsidiaries select and implement actions which lead to residual risk.

30. The Holding and its subsidiaries develop Plan of response for critical risks management, at that establishing responsible executors and terms of such measures implementation.

31. The Holding and its subsidiaries after definition of critical risks and corresponding measures aimed at these risks management, define basic business processes come under these risks. The Holding and its subsidiaries implement step-type analysis of such business-processes to define and include corresponding control measures.

32. The Holding and its subsidiaries analyze planned actions for risk management and define control measures necessary for ensuring of effective implementation of these actions.

33. Inside the Holding and its subsidiaries there is a constant information exchange to increase level of informing about risks, development of risk-culture and effective risk management. Management and executive bodies of the Holding and its subsidiaries shall be informed about existing risks and response measures to these risks through obtaining, analysis and approval of risks register and risks map, and action plan for critical risks management.

34. The Holding and its subsidiaries provide effective channels of communication with interested parties for risk management matters, such as shareholders, partners, regulatory and supervisory bodies.

35. The Holding and its subsidiaries provide monitoring of corporate risk management system through constant monitoring and targeted inspections of implementation of risk management policy, procedures and measures of risk management system. Scale and frequency of targeted inspections depends on risks evaluation and efficiency of constant monitoring.

36. Management and executive bodies of the Holding and subsidiaries are informed about shortages of risk management system on periodical basis, but not less than once a year. At detection of shortages of significant shortages management and executive bodies of the Holding and its subsidiaries are informed immediately.

37. Implementation of provisions of the present Concept and their communication to employees of the Holding is attached to executive body of the Holding.

38. Implementation of provisions of the present Concept and their communication to employees of subsidiary joint stock companies of the Holding is provided through approval and implementation of corresponding internal regulatory documents in subsidiaries.

## **8. Responsibility of employees**

39. Each employee of the Holding and its subsidiaries is responsible for risk management within his powers and functions.

40. Obligations of employees and structural subdivisions implementing risk management shall be prescribed in internal documents of the Holding and its subsidiaries. Policy of risk management establishes main participants of risk management process and defines functions and responsibility.