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|  | Risk Management Policy | |
| | Unit | Management Accounts and Risk Management: Risk Management unit |
| | Reference No. | KC-MARM-RMP_v7 |
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REVISION AUTHORISATION AND APPROVAL


REVISION NUMBER: 06

ISSUE DATE: 16/08/2024

The table below confirms that Version 7 of the Risk Management Policy has been reviewed, authorised for use, and approved by Air Astana management.


| Decision | Name and position | Signature | Date |
|--------------|--|----------------|------------|
| Prepared by: | Ainur Bakiyeva Manager Risk Management | | |
| Reviewed by: | Aizhan Omar Senior Vice-president Finance | | |
| Reviewed by: | Anel Kalykova Head of Internal Control | | |
| Reviewed by: | Ibrahim Canliel Chief Financial Officer | | |
| Reviewed by: | Tatyana Kotenyova Head of Compliance | | |
| Reviewed by: | Leila Nik-Zade Head of Internal Audit | | |
| Reviewed by: | Risk Committee Members | Minutes No.61 | 16.08.2024 |
| Approved by: | Board of Directors | Minutes No.254 | 10.09.2024 |

Note: This Risk Management Policy is effective from 10.09.2024.

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1. General Provisions

1.1. **Purpose:** The Policy establishes the framework for identifying, assessing, managing, and monitoring risks to ensure that Air Astana JSC operates within an acceptable level of risk and maximises value creation.

1.2. **Scope:** The Policy applies to all levels of the organisation and is integrated into strategic planning, operational processes, and decision-making.

1.3. **Compliance:** This Policy is aligned with the COSO ERM framework and complies with relevant legal and regulatory requirements.

2. Definitions and Abbreviations

The following terms are defined and used within this Policy to ensure clarity and consistency in the risk management process:

Business Context: The trends, events, relationships, and other factors that may influence, clarify, or change the Company's current and future strategy and business objectives.

Business Objectives: Measurable steps the Company takes to achieve its strategy.

Culture: Attitudes and behaviours regarding risk that influence decision-making.

CRMS: Corporate Risk Management System.

Enterprise Risk Management (ERM): Practices integrated with strategy-setting to manage risk and create value.

Event: An occurrence affecting the achievement of strategic goals and business objectives.

External Stakeholders: Parties outside the Company who affect or are affected by its operations.

Impact: The effect of a risk on objectives.

Internal Stakeholders: Employees and management within the Company.

Key Risk Indicator (KRI): Indicators that signal that a particular risk event is becoming more or less likely.

Opportunity: An action or potential action that creates or alters goals or approaches for creating, preserving, and realising value.


Portfolio View: A composite view of risks faced by the Company, that enables management and the Board of Directors to consider the types, severity, and interdependencies of risks and how they may affect the Company's performance relative to its strategy and business objectives.

Probability: Likelihood of an event occurring.

Risk: An uncertainty the achievement of objectives.

Risk Appetite: The level of risk the Company is willing to accept.

Risk Capacity: The maximum amount of risk that the Company is able to absorb in pursuit of its strategic goals and business objectives.

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Risk Coordinator: Responsible for organising risk management in their respective structural units and for cooperation with the Risk Management unit.

Risk Factor: A condition, state, or circumstance in which reasons for the risk appear to precede the realisation of the risk.

Risk identification: An assessment of the Company's exposure to events that may adversely affect the ability to achieve target goals and the implementation of set objectives.

Risk Map: A graphical and textual representation of a limited number of the Company's risks, arranged as a rectangular table with the impact or significance of the risk on one "axis" and the probability or frequency of its realisation on the other.

Risk Owner: Person responsible for managing a specific risk.

Risk Profile: A composite view of the risk assumed at a particular level of the Company or aspect of the business that positions management to consider the types, severity, and interdependencies of risks, and how they may affect performance relative to the strategy and business objectives.

Risk Register: A register of all the Company's major risks, with relevant objectives, risk factors, risk assessment, risk management actions, risk management action owners, risk owners and tolerances.

Severity: A measure of considerations such as the probability and impact of events or the time required to recover from events.


Tolerance: The limits of acceptable variation in relation to the achievement of business objectives.

3. Roles and Responsibilities

3.1. **The Board of Directors** has primary responsibility for risk oversight in the Company and delegates some of the responsibility to a specific committee (i.e. Audit Committee). The Board of Directors provides oversight of the strategy and governance responsibilities to support management in achieving strategy and business objectives.

3.2. The Company's Board of Directors performs the following risk management functions:

- determining strategic goals/objectives of the Company;
- approval of the Company's Risk Management Policy;
- approval of other Company's policies for managing specific risks;
- approval of methodology for evaluation of the risk management system effectiveness;
- analysis of the reports of external auditors on the improvement of risk management, as well as the results of any audits by the Internal Audit Department;
- review and approval of the Company's Risk Register on a quarterly basis;
- review and approval of risk map on a quarterly basis;
- final approval of the Risk Appetite of the Company after the Risk Committee's preliminary approval;
- review of the reports provided by the head of the Risk Management unit with description and analysis of the Company's risks;

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- review of the reports on the efficiency of the risk management system;
- take note of information on realised/potential risks on a quarterly basis.

3.3. **Audit Committee** of the Board of Directors has the following responsibilities in the framework of risk management:

- review reports on changes in the risk map on a quarterly basis;
- review changes to the Risk Register and the information it contains;
- review reports on risks;
- review risk appetite on an annual basis;
- review reports with information on realised/potential risks on a quarterly basis;
- review reports with information on non-compliance with regulatory requirements regarding risk management if necessary.


3.4. **Risk Committee** is an advisory-consultative body, chaired by the CEO of the Company. A detailed description of the Risk Committee's objectives and functions is provided in the Risk Committee Charter of “Air Astana” JSC.

3.5. **Risk Committee** ensures the integrity and the functionality of the risk management system by performing the functions which are as follows:

- annual approval of Strategic plan of CRMS;
- ensuring that the Company's structural units comply with the provisions of the Policy;
- quarterly review and preliminary approval of the Company's Risk Register;
- quarterly review and approval of risk map;
- annual review and preliminary approval of the Risk Appetite of the Company;
- quarterly review reports with information on realised/potential risks;
- review and approval of KRI panel on annual basis and consideration of KRIs status stated in the KRI panel at least twice a year;
- review and approval of the report on the effectiveness of the risk management actions at least once a year.
- review and approval of the risk management action plans on risks with partially effective or not-effective level of the effectiveness at least once a year.
- review of the Company's risk management reports if any, and adoption of adequate measures within the framework of its competence;
- improvement of internal procedures in the field of risk management;
- holding regular (at least) quarterly based meetings with the established agenda, including new and existing risks, financial losses, internal/external audit reports, management issues. At that, all meetings of the Committee are recorded.

3.6. **Risk Owner/Head of Department** is responsible for all aspects of accountability – from initial design to assessment of the culture and risk management capabilities.

- set business objective;

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- determine tolerance level to business objective;
- integrate the risk management to operational activities;
- appoint a Risk Coordinator from the Department by sending a letter to Risk Management unit with the list of required coordinators including the surname, name and job title of the risk coordinator.
- communicate regularly with the Risk Management unit on identification of new risks or interrelated risks, on risk assessment, on internal/external hazards;
- analyse the external and internal environments for emerging risks and opportunities;
- approve and sign realised/potential risk report;
- approve all changes in the Risk Register where he (she) owns parts of the risk;

3.7. **Risk Coordinator** is responsible for the organising risk management in their respective structural unit and for cooperating with the Risk Management unit at every stage of the implementation of the Company's CRMS procedures. It is recommended that the Risk coordinator should have a grade of MS1 or higher and should have a minimum of 6 years of experience in the Company.

- Risk Coordinators interact directly with their heads of structural units and the Risk Management unit in the risk management process of the Company. In the period of absence of risk coordinator, his/her functions are performed by an employee of the structural unit, assigned by the head of the structural unit.


3.8. **Managers' responsibility:** All managers must ensure that their departments have a comprehensive risk management actions or plan, covering the risks and opportunities to their business objectives/business processes.

- Managers ensures that risks are managed at all appropriate levels of the business using the process of Identification, Analysis, Evaluation, Mitigation, Reporting and Monitoring as set out in this Policy.
- Ensure awareness of his/her employees of risks associated with their responsibilities and functions in line with the Policy.
- The responsibility and the authority of the employees of the Company's Risk Management unit, as well as the requirements to the reporting submitted, is stipulated by the Policy having provision on the Risk Management unit, and by the job descriptions for the employees of the Company's structural unit responsible for risk management.

3.9. **Employees' responsibility:** Every employee is responsible for developing and implementing risk management practices that are consistent with the Company's core values.

4. Risk Management Framework

4.1. **CRMS Overview:** The CRMS at Air Astana JSC is a comprehensive system designed to identify, assess, manage, and monitor risks across the organisation. It involves all employees, from operational staff to the Board of Directors, ensuring that risk management is embedded in all business processes.

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Company’s CRMS is based on the advanced standard “COSO Enterprise Risk Management – Integrating with Strategy and Performance”, which consists of five interrelated components that are based on 20 principles, which represent fundamental concepts associated with each component.

The five components are as follows:

1. Governance and Culture.
2. Strategy and Objective-Setting.
3. Performance.
4. Review and Revision.
5. Information, Communication, and Reporting.

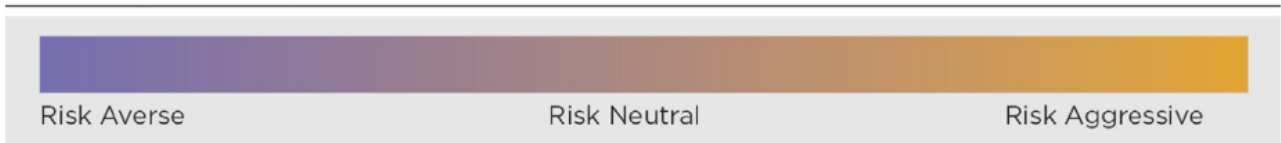
4.2. Governance and Culture

Board Oversight: The Board of Directors has the primary responsibility for risk oversight in the Company and delegates some of the responsibility to a specific committee (i.e. Audit Committee). Board of Directors provides oversight of the strategy and carries out governance responsibilities to support management in achieving strategy and business objectives.

Risk Culture: Company defines the desired behaviour that characterises Company’s desired culture through corporate documents and internal rules (e.g. Business Ethics Code, Code of Corporate Governance, etc.) that must be complied with by all employees.


- The Company raises the level of risk awareness, and develop a risk culture and efficient risk management, and information is to be exchanged continuously within the Company. The desired behaviour and risk culture should be communicated to employees thought forums and training.
- The position of the Company on the culture spectrum is reported to the Risk Committee and the Board of Directors.

Culture Spectrum



4.3. Strategy and Objective-Setting

Risk Appetite: The Company defines risk appetite as the acceptable level of risk to achieve set goals. It is defined annually by the Risk Committee for each strategic goal or for all goals, approved by the Board of Directors, and may be quantitative or qualitative. *Risk capacity* statement is developed by the Risk Committee

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and approved annually by the Board of Directors.

Business Context Analysis: Business context refers to the internal and external environment that influences a Company’s strategy and objectives. It forms the basis for the risk management system, including risk management philosophy, risk appetite, control by management, ethical values, employee competence, organisational structure and interdependencies. The Company applies an integrated risk management approach that considers the interaction between different types of risk.

Business Objectives: The Company develops business objectives that are specific, measurable or observable, achievable and relevant. Business objectives provide the link to practices within the Company that support the achievement of the strategy.

- Company must have a reasonable expectation that a business objective can be achieved given the risk appetite and resources available to the Company. Otherwise, the Company may choose to exceed its risk appetite, procure more resources, or change the business objective.
- The Company has defined tolerance (the range of acceptable outcomes variations in results associated with achieving a business objective within the risk appetite) for each business objective. It is important to note that tolerance is focused on objectives and performance, not on specific risks.

4.4. Performance

Risk Identification: The Company uses various approaches to identify the risks, such as data tracking, interviews, changes in key indicators, process analysis, workshops, risk identification based on the goals and objectives, industry and international comparison, discussions, etc. (see more in the Rules of Identification and Assessment of Risk of “Air Astana” JSC).


Risk Assessment: Evaluating risks based on impact, probability, time of risk impact and significance weight. Given the severity of the risks identified, management decides on the resources and capabilities to be deployed to keep the risk within the Company’s risk appetite.

4.5. Review and Revision

Continuous Improvement: The Company reviews its performance and considers risks, and reviews its CRMS in order to identify incorrect assumptions, improperly implemented practices, insufficient capabilities of the Company or improper cultural factors.

Performance Monitoring: In order to evaluate the CRMS, the Risk Management unit analyses and assesses the effectiveness of the risk management actions reflected in the Risk Register. Detailed information is described in the Instruction of evaluation of the Risk management effectiveness.

- Internal Audit Service conducts assessment of the effectiveness of the Company’s risk management system and develops suggestions for enhancing the efficiency of risk management procedures.
- Regulatory documents regarding the CRMS (including this Policy, as appropriate) shall be revised as necessity to ensure their conformity with the goals, scope and complexity of the Company's activities,

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to consider cutting-edge risk management practices and experience accumulated, as well as to comply with new regulatory requirements, experience and standards of risk management.

4.6. Information, Communication, and Reporting

Transparent Communication: Effective communication of risk information across the organisation.

- Risk coordinators and risk owners regularly participate in joint internal meetings with the Risk Management unit to discuss existing and emerging risks and risk management practices.
- Risk coordinators communicate changes in the CRMS to employees of their department and share relevant information concerning the risks of their department and the Company’s overall CRMS.

Reporting: Procedures, responsibilities and timing of risk management reporting relation to the external and internal environment of the Company are summarised in the “Regulation on reporting in corporate risk management system”.


- Members of the Company's Board of Directors and employees of the Risk Management unit have unrestricted access to all information relation to the Company's risks.
- The Company's risk management structure allows for an appropriate flow of information, both vertically and horizontally. Information flowing upwards (from the bottom to the top) provides the Board of Directors and the Risk Committee with timely data on: current activities; risks taken in the course of activities; assessment, control, response methods response and level of management thereof.

5. Risk Management Process

5.1. The risk management process is a framework for the actions that need to be taken. There are five basic steps that are taken to manage risk: identify, assess, response, monitor and report, control.

5.2. **Risk Identification:** Each employee of a Company's structural units continuously identifies and assesses the risks with an impact on the achievement of the strategic goals and business objectives to be attained by the Company and each of its employees.

- Identified events and risks is arranged in the form of a **Risk Register**.
- The Company's **Risk Register** represents a list of the most critical risks the Company encounters in a course of its activities.
- Risk owners is assigned for each risk, i.e. a department that deals with the respective risk within the scope of its functions and responsibilities.
- As the new risks are identified, the Risk Register is continuously updated by the Company's structural units.

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5.3. **Risk Assessment:** Risk owners, risk coordinators together with Risk Management unit are assessing risks using qualitative and quantitative methods, including scenario analysis. Results are reflected in the Risk Map.

- Risks that identified and included in a Company’s **Risk Register** are assessed in order to understand the severity of each risk to the achievement of a Company’s strategy and business objectives.
- **Risk Severity** is determined in terms of Impact and Probability, its time of risk impact and its significance level.
- **Risk Map** allows assessing the relative importance of each risk (compared to other risks), and outlining the risks, that require the development of actions to manage them. It visualises risk priorities.

5.4. **Risk Response:** Management selects and deploys a risk response for all identified risks.


- Response categories include accept, avoid, pursue, reduce, and share. Risk response influence where the Company positions itself on the **culture spectrum**, which ranges from risk averse to risk aggressive.
- The application of adequate measures and methods for responding to risks is described in the **Risk Register** as part of the risk management actions (preventive and detective), as well as risk management action plans on risks.
- All events of potential and realised risks that meet criteria of reputational damage, financial loss, operational disruption, breach of tolerance level must be reported by Risk Coordinators to the Risk Management unit and accumulated in the **Realised/potential risk report**.

5.5. **Monitoring and Reporting:** Continuous monitoring and reporting of risks and risk management performance.

- **Key Risk Indicators** (hereinafter referred to as KRIs), as defined in the Methodology of Development and Implementation of Key Risk Indicators of “Air Astana” JSC, are the principal tools for monitoring and identifying potential risks, providing early warnings and minimising their impact on the Company’s activities.

5.6. **Control activities:** The information flowing upwards (from bottom to top) is provided to the Board of Directors and the Risk Committee with timely data on: current activities; risks taken in the course of the activities; assessment, control, methods of response and level of management thereof.

- **The Three Lines model** is used to manage and govern risks in the Company. It helps to delineate responsibilities for risk management and control activities, ensuring a structured and comprehensive approach.
- The Policy is available to external stakeholders on an official website and other risk management related documents are made available to all employees of the Company though internal channels.

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6. Three Lines Model

6.1. **The three lines model** is a risk management approach defines roles including oversight by a governing body, senior management and independent assurance.

6.2. **First Line: Structural units and each employee of the Company** participates in the risk identification and management within their areas of responsibility.

Key Control Activities:

- **Risk Identification:** Identifying and assessing risks within their area of responsibility.
- **Control Implementation:** Designing, implementing, and maintaining day-to-day internal controls to manage risks within the scope of supervised/performed operation.
- **Monitoring and Reporting:** Continuously monitoring operational performance and reporting risk-related issues and control failures to Risk Management unit.
- **Issue Resolution:** Taking corrective action to address control deficiencies and mitigate risk.

6.3. **Second Line: Risk management, internal control and compliance functions, including corporate safety compliance and aviation security.** The second line provides oversight and support to the first line. It includes specialised risk management and compliance functions that oversee and facilitate effective risk management practices.


Key Control Activities:

- **Policy Development:** Establishing risk management policies, regulations, manuals and procedures.
- **Guidance and Training:** Providing guidance and training to the first line on risk management and compliance requirements. Developing risk culture within the Company.
- **Risk Oversight:** Coordinating corporate risk management activities and ensuring first line adherence to policies and procedures.
- **Compliance and Effectiveness Monitoring:** Assessing compliance with regulatory requirements and internal policies and the effectiveness of risk management actions.
- **Reporting:** Providing independent risk management and compliance reporting to the Risk Committee, Audit Committee and Board of Directors.

6.4. **Third Line: Internal audit** assesses the adequacy and effectiveness of the Company's risk management system and develop recommendations (including involvement of external independent consultant).

Key Control Activities:

- **Risk-Based Audits:** Conducting independent assessments of risk management, control processes, and governance practices.

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- **Evaluation of Controls:** Reviewing the adequacy and effectiveness of CRMS implemented by the first and second lines.
- **Reporting and Recommendations:** Provide findings, insights, and recommendations to improve the control environment and risk management practices.
- **Follow-up:** Monitoring the implementation of audit recommendations and corrective actions.

6.5. Interaction between the Three Lines:

- **Collaboration and Communication:** The three lines collaborate and communicate regularly to ensure a comprehensive understanding of risks and controls.
- **Independence and Objectivity:** The first and second lines are more involved in day-to-day risk management; the third line maintains independence to provide unbiased assessments.

7. Continuous Improvement


7.1. The Company develops and evaluates a portfolio view of risk in the form of interdependencies of risk report (including Risk Register, Risk Map, Key Risk Indicators, Realised/potential risk report, Effectiveness evaluation of Risk management actions, Culture Spectrum) to view the risk profile from a company-wide, or portfolio perspective.

7.2. **Regular reviews of the risk management framework** ensure that the Company's policies, procedures, and controls remain effective and relevant in the face of evolving risks and business environments.

Key Activities:

- **Framework Evaluation:** Assess the effectiveness of the current risk management framework, including policies, procedures, and control mechanisms.
- **Gap Analysis:** Identify any gaps or weaknesses in the framework, considering new risks, changes in regulatory requirements, or shifts in Company's strategy.
- **Updates and Improvements:** Revise and update the framework based on the results of the evaluation and gap analysis. This may include refining risk assessment methodologies, improving reporting processes, or updating control measures.
- **Documentation and Communication:** Document and communicate changes to all relevant parties to ensure understanding and compliance.

7.3. **Training and Development:** Ongoing training and development programmes are essential to building and maintaining a strong risk-aware culture within the Company. These programmes help employees at all levels to understand their role in managing risk and to develop the skills necessary to implement effective risk

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management practices.

Key Activities:

- **Risk Awareness Training:** Educating employees about the Company’s risk management policies, regulation on realised/potential risk, the importance of risk awareness, and the role of each employee in managing risks.
- **Specialized Training:** Provide targeted training to employees in specific roles or functions, such as SS4-MS3 level managers, risk coordinators, or operational risk management, to deepen their expertise.
- **Workshops and surveys:** Conduct workshops and simulations to help employees practice identifying, assessing, and responding to various risk scenarios. Conduct risk-related surveys across the Company.
- **Continuous Learning:** Provide access to ongoing education resources, such as offline and online courses, to keep employees up to date with the latest trends and best practices in risk management.

8. Responsibility and Change Control

8.1. Risk Management unit is the owner of the Risk Management Policy. Risk Management unit is responsible for the development, implementation, and maintenance of the Risk Management Policy, ensuring that it is integrated into all business processes and that all relevant stakeholders are aware of and comply with the Policy.


8.2. The Risk Management Policy is reviewed and updated at least annually or more frequently if necessary, to reflect changes in the internal and external environment, regulatory requirements, and best practices in risk management.

8.3. Any changes to the Risk Management Policy is reviewed by the Risk Committee and approved by the Board of Directors.

8.4. Documentation of Changes: All changes to the Risk Management Policy must be documented, including the rationale for the change, the approval process, and the date of implementation. This documentation should be maintained in a change log that is accessible to relevant stakeholders.

8.5. Any changes to the Risk Management Policy must be promptly communicated to all employees and relevant stakeholders. This can be done through internal communication channels such as emails, newsletters, intranet postings, and training sessions.

8.6. When significant changes are made to the Risk Management Policy, training sessions should be conducted to ensure that all employees understand the new requirements and how they affect their roles and responsibilities.


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9. Documentation and Attachments

9.1. **Risk Register:** Risk Register represents a list of the most critical risks the Company encounters in the course of its activities, identified risks, assessments, and management actions.


9.2. **Risk Reports:** The Company reports on risk, culture, and performance at various levels and across the Company.

- Detailed risk reports to stakeholders as outlined in Appendix 1.

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Appendix 1: Risk Report Structure and Minimum Content Requirements

- **Risk Capacity:** Annual updates.
- **Risk Appetite:** Annual updates.
- **Risk Map:** Annual and quarterly updates.
- **Risk Register:** Annual and quarterly updates.
- **Key Risk Indicators (KRIs):** Annual review and updates.
- **Strategic Plan of CRMS:** Annual review and progress reports.
- **Information on Realised/Potential Risks:** Quarterly reports.

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