

**NON-PROFIT JOINT STOCK COMPANY
"ABAI KAZAKH NATIONAL PEDAGOGICAL UNIVERSITY"**



APPROVED

**by the decision of the Board of
Directors NJSC "Abai Kazakh
National Pedagogical University"
July 15, 2022**

Protocol №5

**Chairman of the Board of Directors
Issimbaeva G.I.**

**Risk management policy of the
Non-Profit Joint Stock Company
"Abai Kazakh National Pedagogical University"**

Almaty, 2022

1. General provisions

1. This Risk Management Policy (hereinafter – the Policy) was developed in accordance with the Classifier of internal documents governing NJSC “Abai Kazakh National Pedagogical University's” internal activities (hereinafter – the Company).

2. This Policy reflects the objectives and tasks of risk management (hereinafter – RM) in the Company, determines the structure of risk management, the main components of the risk management system, and provides a systematic and consistent approach to the implementation of the risk management process.

3. This Policy applies to all of the activities of the Company. The Policy is mandatory for familiarization and application by all structural divisions and all employees of the Company. In the performance of functional duties and the implementation of the tasks set, each employee of the Company is guided by the provisions set forth in this Policy.

4. The policy was developed taking into account the following regulatory documents:

1) order "On Approval of Risk Assessment Criteria and Checklists for Inspections of the Education System" (joint order of the acting MES RK dated December 31, 2015 No. 719 and the acting MNE RK dated December 31, 2015 No. 843. On December 31, 2015, No. 12777 was registered with the Ministry of Justice of the Republic of Kazakhstan). Criteria for determining the level of risk in the educational system;

2) ISO 31000:2018 «Risk management – Guidelines», IDT;

3) ISO/IEC 31010:2018 Risk management. Risk assessment methods;

4) The Charter of the Non-Profit Joint Stock Company "Abai Kazakh National Pedagogical University," approved on 05.06.2020 No. 351 by order of the Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan;

5) Abai University Development Strategy for 2022-2025;

6) Plan for the implementation of the development strategy of "Abai University" for 2022-2025;

5. The policy describes the processes for identifying and managing risks, as well as the fundamental concepts and principles of risk management.

6. The policy is being implemented in stages, and full operation will be dependent on the specific phase of development of the overall RM.

7. This Policy is a mandatory document that must be introduced to new employees upon joining the company.

2. Basic concepts and definitions

8. The following basic concepts and definitions are used in this policy:

1) Risk is a possible internal or external event that has a negative impact on the achievement of the goals of the Company's activities and leads to undesirable consequences;

2) Risk management is the process of making and implementing management decisions with the goal of reducing the likelihood of an unfavorable outcome and minimizing potential losses associated with the implementation of a business process. Risk management is an essential component of all organizational processes at the Company, including strategic planning and process management;

3) The risk owner is the head of the structural unit who has authority and is in charge of managing the relevant risk;

4) risk identification is the process by which any Company employee identifies a risk, gives it a name, describes it, describes the causes (factors) of the risk and its source, and establishes who owns it;

5) risk map – a description of risks, depending on the magnitude of their potential impact and the probability of implementation, presented in tabular form, which is located in the risk register;

6) The risk manager is the head of the risk assessment division of the Strategy Department, which coordinates the work of structural units in order to implement the risk management process at the Company level;

7) Risk monitoring is the systematic updating of information on the level of risk and external or internal factors affecting the level of risk, as well as the status of risk management measures;

8) Risk assessment is the process of determining the level of risk by assigning to each risk the probability of occurrence and the rank of the significance of the risk's consequences in order to develop risk management measures further;

9) risk register has a risk code, risk name, risk category, risk owner, risk probability and impact, risk exposure length, risk factors (causes), measures, and risk materialization consequences

10) The risk level is an assessment of the materiality of the risk depending on the probability and size of the potential damage from its implementation.

3. Purpose, objectives and principles of risk management

9. The purpose of this Policy is to reduce and limit the negative impact of external and internal factors on achieving the objectives of the Company's activities defined in the development strategy and ensuring the continuity and stability of the Company.

10. The objectives of this Policy are:

1) Implementation and improvement of RM aimed at preventing or reducing potentially negative facts;

2) Preventing the occurrence of events that threaten the achievement of strategic and operational purpose and reducing their impact to an acceptable level;

3) Ensuring a continuous RM process based on timely identification, assessment, analysis, monitoring, and control to ensure the achievement of the set strategic objectives;

4) Provision of reasonable assurances to stakeholders that the Company manages risks effectively.

11. For the effective functioning of the RM, the Company in all areas of its activities is guided by the unified principles of risk management:

1) The principle of integration.

Risk management is not a separate activity but an activity integrated into all processes of the Company, related to the management of all organizational processes, including strategic planning and all project and change management processes.

2) The principle of structuring and complexity.

Risk management, based on a structured and integrated approach, promotes coordinated work and sustainable, comparative, and acceptable results. It helps decision-makers make informed choices and set priorities.

3) The principle of adaptability.

The structure and process of risk management are correlated and built, taking into account the adaptability associated with the purpose and objectives of the Company.

4) The principle of inclusiveness.

Involving stakeholders in the risk management process takes into account their knowledge, perspectives, and opinions, which leads to increased risk management awareness and validity.

5) The principle of dynamics.

Risks may arise, increase, decrease or disappear as both the external and internal context of the Company changes. Risk management foresees, detects, recognizes and responds to these changes.

6) The principle of accessible information.

Certain data, forward-looking expectations, and expert judgment serve as entry points for risk management. Risk management considers any constraints and uncertainties associated with available data and expectations. The information used should be relevant, clear and accessible to involved sides.

7) The principle of considering human and cultural factor.

The human factor, behavior, and culture significantly impact all aspects of risk management at every level and stage.

8) The principle of continuous improvement.

The usage of this principle allows for the continuous development and application of risk management strategies on a systematic basis, in tandem with other aspects of the Company's operations.

9) The principle of continuity.

Risk management in the Company is an ongoing process that involves all levels of management and all structural divisions of the Company. Continuity is ensured through the periodic identification and review of risks, as well as the analysis of the refinement of existing policies and procedures.

The risk management principles passed by the Company must be reflected in all risk management documents and serve as a direction in making decisions. There must be a common understanding of the principles of RM at the Company level.

4. Participants of risk management and their functions

12. Participants of the RM of the Company are represented at all levels of management of the organization and include the following categories:

- 1) Board of Directors;
- 2) Board of Management;
- 3) Risk Committee;
- 4) Strategy Department;
- 5) Other structural divisions and employees of the Company.

The functions of the participants are distributed as follows:

13. The Board of Directors is a management board in charge of implementing the Company's strategic goal. The Risk Management Policy has been approved by the Board of Directors.

14. The Board of Management ensures the integrity and functionality of the RM by performing the following functions:

- 1) the risk register approval, the Company's risk map, and the action plan for risk management;
- 2) consideration of risk management reports and implementation of appropriate measures within their scope of competence;

The Management Board reports to the Board of Directors on its work on risk management issues.

15. The Risk Committee is a permanent collegial, advisory body under the Management Board of the Company, coordinating the process of functioning and development of risk management systems in the Company.

16. The Risk Committee performs the following functions:

- 1) preliminary review of the risk register, the Company's operational-level risk map and the risk management action plan;
- 2) preliminary examination of identified risks;
- 3) preliminary review of response measures and risk management techniques in the Company;
- 4) preliminary review of risk management reports and taking appropriate measures within its competence;

17. The Strategy Department is a structural subdivision that provides coordination, necessary analytics, and methodological support on risk management issues to all RM participants at the Company level.

18. The Strategy Department responsible for the following functions:

- 1) monitoring of risk identification and assessment, establishing a risk register and map, major risk indicators, analysis and control of risk management work twice a year;
- 2) maintaining a registry of realized risks, keeping track of external factors that may have a significant impact on risks;
- 3) ensuring the Policy is kept up-to-date;
- 4) responsible for the organization of effective risk management, which allows to identify, assess, and manage the risks of the Company;

5) informing the structural divisions of the Company about the identified risks;

6) current control over this Policy's implementation and inform the Board of the facts of the policy's violation.

19. Structural divisions and employees of the Company are important participants in the RM, as they "own" the risks within their authority and competencies.

20. Structural divisions and employees of the Company (risk owners) perform the following functions:

1) identification of risks and their factors on a regular basis;

2) provision of regular reporting on identified and realized risks;

3) participation in the development of methodological and regulatory documentation within their authority and competencies on risk management issues;

4) risk management within their competences and authority;

5) implementation of approved risk response measures;

6) providing the necessary information on risk management issues within the scope of the information available to the structural unit;

7) participation in risk management working groups.

21. Employees of the Company are accountable for identifying risks in a timely manner.

5. Risk management methodology (process)

22. The risk management process in the Company includes the following components:

1) determining the environment;

2) identification of risks and the formation of a registry of risks;

3) methodology for risk assessment;

4) risk analysis and assessment;

5) risk response;

6) information and communications;

7) monitoring.

5.1 Determining the environment

23. The external environment creates conditions for the emergence of systemic risks.

24. The Company considers the external environment by analyzing external factors, which is reflected in the definition of strategic purposes.

25. The Company considers the interests of both external and internal stakeholders and strives to maintain the most transparent and open relationships with them.

26. The relationship of the Company with its external environment is reflected in its internal environment and influences its formation.

27. The Company's activities are intended to create an internal environment in which employees understand risks and increases their responsibility for risk management issues.

28. The internal environment of the Company is determined by the following factors, which are considered by the Board of Directors and the Management Board when constructing an appropriate internal environment:

1) availability of a stated philosophy of the Company in the area of risk management;

2) availability of clearly stated ethical values of the Company, as well as control over their comprehension and observance;

3) clearly stated requirements for the competence of employees and control over the compliance of employees with these requirements.

29. The Company considers the internal environment by analyzing the factors listed above, which is reflected in the determination of strategic and operational purposes.

30. The risk management process provides a "reasonable" guarantee that the management body represented by the Board of Directors and executive body represented by the Management Board, has a properly organized process for selecting and setting mission-related purposes.

31. Since the efficiency of RM heavily depends on the correct definition of the purposes and objectives of the Company, the purposes of the Company's activities should be determined at the strategic level and serve as a basis for determining tactical (short-term) purposes. Only under these conditions can the risk management process be effectively implemented.

5.2 Identification of risks and the formation of a registry of risks

32. The RM aims to identify risks and consider them as a whole, which helps to reflect a comprehensive view of existing risks and improve the quality of risk analysis.

33. The identification of risks is a process in which internal or external events are determined, the implementation of which may have a negative impact on the achievement of the Company's purposes. The risks facing the company must be identified and updated as part of the annual planning cycle.

34. The Company conducts risk identification on a regular basis with the participation of employees from all structural divisions.

35. The identified risks are systematized in the form of a risk register. The risk register is a list of the risks that the Company faces in its operations. In the Risk Register, the causes (factors) of the risk, the possible consequences of the risk's occurrence, the probability, the risk's owners, and risk-mitigation measures are determined for each risk. The risk inventory count is carried out by the risk manager at least once a year.

36. The results of risk identification and assessment are submitted for consideration by the Management Board and the Board of Directors.

37. Classification of the risks of the Company:

1) Strategic risks arise as a result of incorrect management decisions, have a high probability of being realized, and have a significant impact on the Company's operations.

2) Operational risks arise in the performance of the Company's activities. The implementation implications are minor.

5.3 Methodology for risk assessment

38. Risk assessment is a set of methods that allow predicting the probability of an unplanned force majeure event, controlling outcomes, assessing the impact of this event and forming ways to prevent it again. As part of the risk assessment, the concept of the degree of risk is defined: the probability of an unplanned force majeure event, as well as the amount of possible damage from it. The totality of risk assessment forms a comprehensive methodology, which has received the name risk analysis.

39. Qualitative risk assessment is one of the most important stages of risk management and is carried out for all identified risks.

40. After identifying the list of risks, it is necessary to rank these risks using a scale for assessing the likelihood of a risk occurring and a scale for assessing the significance of the consequences of a risk occurring.

41. Each risk is rated on a scale of 1 to 4 based on the likelihood of occurrence and the significance of the consequences of occurrence.

42. Scale of risk assessment:

1) low (occurrence of risk 0 - 25%), 1 - 1,75;

2) medium (occurrence of risk 26 - 50%), 1,78 - 2,50;

3) high (occurrence of risk 51-75%), 2,53 - 3,25;

4) extremely high (occurrence of risk 76-100%), 3,28 – 4.

43. The scale of assessing the significance of the consequences of the occurrence of risk:

1) low (occurrence of risk 0 - 25%), 1 - 1,75;

2) medium (occurrence of risk 26-50%), 1,78 - 2,50;

3) high (occurrence of risk 51-75%), 2,53 - 3,25;

4) extremely high (occurrence of risk 76-100%), 3,28 – 4.

44. The risk level value that results is used to determine the risk status and subsequent actions. Risks with extremely high, high, and medium levels of risk are captured into the risk registry, and measures to manage these risks are developed.

45. Level, risk status, and subsequent actions:

1) low level of risk is acceptable for the Company. These risks are managed on a daily basis;

2) medium level of risk is the realization of the risk that may lead to an average decrease in income or an increase in the Company's expenses and / or insignificant reputational damage. Decisions regarding such risks are made at the level of the Company's structural divisions, and risk owners do not require instant actions to eliminate them and are carried out as funds are allocated;

3) high level of risk - risks have a high probability of realization and (or) have a great impact on the Company's activities. The same mitigation measures are applied as for extremely high risks;

4) extremely high level of risk - these risks have a very high probability of realization and have a very large impact on the Company's activities. Realization of the risk may result in a significant decrease in income or increase in expenses and / or significant reputational damage to the Company. Such risks are unacceptable for the Company and require active management actions to prevent them, reduce them or minimize losses.

46. If necessary, an expert of the relevant areas is involved to provide an objective assessment of risks.

47. The results of a qualitative assessment of risk parameters can also be presented in the form of a Risk Map, which allows you to visualize the ranking of risks by levels, assess the relative importance of each risk, and highlight the risks.

48. The goal of quantitative analysis is to quantify, analyze, and compare risks. Quantitative risk analysis employs a variety of methods, including the Monte Carlo method, which allows you to consider all possible outcomes of decisions and assess the impact of risk, resulting in better decision making under uncertainty.

5.4 Risk analysis and assessment

49. Risk analysis and assessment is obtaining all available information about the risk, its consequences, measuring the risk in quantitative or qualitative terms, comparing the information received on the risk and its factors with the level of acceptable risk and / or risk indicators. As part of the analysis and assessment of risks, the Company uses qualitative or quantitative analyzes, or a combination of the two, to gain a comprehensive understanding of the risks and take the necessary measures.

50. Risks that cannot be quantified are assessed only on a qualitative basis. Risk assessment entails determining the likelihood of a risk occurring (frequency of risk occurrence), as well as determining the significance of the risk (negative consequences during its implementation and its degree of importance).

51. All identified and assessed risks are reflected in the Risk Map. The risk map helps in assessing the relative importance of each risk (compared to other risks), as well as highlighting the risks that are critical and require the development of measures to manage them.

52. The risk assessment process is carried out in order to identify the most significant risks that could have a negative impact on the Company's activities and the achievement of strategic purposes and objectives. These risks should be submitted in the form of a Risk Registry for familiarization to the Board of Directors and the Management Board, who should be aware of these risks.

5.5 Risk response

53. Risk response is the adoption of management decisions at various levels of the Company in order to reduce the likelihood of risk realization or reduce the negative effect of the consequences of the risk that has occurred. The risk owner decides how to respond to the risk after assessing it.

54. The risk owner creates a plan of action to address the identified risks.

55. The goal of risk response can be to reduce the likelihood of risk realization (preventive measures) or to reduce the negative consequences of an identified risk.

56. Risk response is described in the risk management action plan, which includes a list of necessary actions and responsible executors.

5.6 Information and communications

57. Information and communications, as a component of the risk management process, determine the qualitative requirements for the information used by the Company in its activities, as well as the requirements for the processes of obtaining, transmitting, and using information among all participants in the RM. The purpose of obtaining high-quality information and an effective process of information exchange at the level of the entire Company is to enable the creation and use of the necessary information base for making effective decisions at all levels of the Company.

58. Information created and received within the Company must be reliable and in a timely manner.

59. The exchange of information between the Company's structural divisions must be ensured during the risk management process. All materials and documents prepared within the framework of the RM are coordinated with the interested departments, which make their comments and suggestions. At least once a year, an analysis of risks and an action plan for managing risks are submitted to the Board of Directors for consideration.

60. Information about identified, assessed, and occurring risks, as well as information about the implementation of risk management measures, is formed and disseminated to stakeholders.

5.7 Monitoring

61. Monitoring is an important part of the risk management process since it evaluates both the existence of such a system and the implementation of its components.

62. The Strategy Department is responsible for monitoring.

63. After the Management Board approves the action plans for managing risks, the Strategy Department's risk assessment division preside over the implementation of measures in accordance with the deadlines for each action and prepares a report on the implementation of the action plan for managing.

6. Regulations

64. The Strategy Department conducts risk identification and assessment exercises twice a year, in May and November, until the 20th day of monitoring, within the framework of which, based on a business letter, information is requested from structural units (risk owners) to update the Company's Register of risks.

65. The Company's structural divisions (risk owners) identify and assess risks within 7 days of receiving a business letter and send the identified and assessed risks (by the form) to the Strategy Department.

66. After receiving information about the identified and assessed risks (by the form) from the structural unit (risk owner), the Strategy Department conducts an analysis. If sufficient information is available, the Strategy Department shall create a consolidated Risk Register and a risk map by June/December 30th.

67. The risk register contains information about: risk code, risk name, risk category, risk owner, risk probability and impact, duration of risk exposure, risk factors (causes), measures, and consequences of risk materialization.

7. Risk reporting

68. As part of the risk management process, the Strategy Department generates the following documents every six months:

- 1) Risk registry/database for risk identification and assessment;
- 2) Report on the implementation of the risk management and risk assessment action plan.

69. The Risk Assessment Division of the Strategy Department carries out a compilation of information on risks, storage of this information, and also maintains the Risk Registry / database.

8. Development of risk management culture

70. To develop a risk-management culture in the Company, The Strategy Department organizes events to strengthen employees' risk management competencies, including:

- 1) annual seminars and information sessions for the employees of the Company, including information on the status and results of the implementation of risk management in the Company, the duties of employees;

- 2) The Company provides risk management information materials to newly hired employees.

71. Employees of the Strategy Department may head over to advanced training courses (if necessary) to improve the RM's work.

72. The preparation and updating of training and information materials, as well as the involvement of third-party organizations to conduct training activities in the field of risk management (if necessary) is supervised by the Head of the Risk Assessment Division of the Strategy Department.

9. Responsibility and authority

73. This Policy has been approved by the Board of Directors of the Company.

74. Responsibility for the implementation and updating of the Policy lies with the supervising Vice-Rector, Vice-Rector for Strategy, Digitalization and Internationalization.

75. The vice-rectors and heads of departments who participate in the implementation of each direction of the Company's development strategy bear responsibility for the organization and coordination of activities to fulfill the requirements of the Policy, as well as the quality of the final results.

76. Responsibility for carrying out an analysis of processes and identification the necessity and expediency of introducing additional control actions is borne by risk owners - heads of the relevant structural divisions of the Company.

77. The Strategy Department is responsible for developing monitoring activities for risk management measures.

78. The Strategy Department is responsible for conducting quarterly monitoring to identify and assess risks, compiling a register and map of risks, risk indicators, analyzing and monitoring risk management work.

79. The Strategy Department is responsible for familiarizing the employees in the subdivisions with the document.