

Risk management policy of PJSC MMK and companies¹ of MMK Group

1 Introduction

The risk management policy (hereinafter referred to as the "Policy") of PJSC MMK and companies of MMK Group is a basic document defining the principles and approaches of PJSC MMK and companies of MMK Group (hereinafter referred to as the "Company(ies)") to the architecture and functioning of the integrated risk management system (hereinafter referred to as the "System").

The System provides reasonable confidence in achieving the current (annual) and strategic goals of the Company.

2 Scope

The System operates continuously at all levels of management, applies to all types of activities, including stakeholder engagement, and is part of the Company's integrated management process, including corporate governance.

Adherence to the principles and approaches of this Policy is mandatory in all Companies and in all structural units (units) of the Companies.

3 Main objectives of the risk management system

The main objectives of the System are:

- promoting (assisting) the achievement of the objectives of the Company;
- ensuring the efficiency of financial and economic activities and the economical use of resources (ensuring value creation);
- safeguarding the assets of the Company (providing value protection) by managing emerging risks.

4 Fundamental principles of the Company and functioning of the risk management system

To ensure meeting of the main targets, the System is based on the following principles:

- risk management is an integral part of the Company's activities and is carried out by each employee of the Company while performing his/her functions in business processes;
- risk management activities take into account the corporate culture of the Company;

¹ **Companies of MMK Group** are the companies of PJSC MMK Group and other companies with the participation of PJSC MMK. The list of companies of the MMK Group in which the System operates is determined by the internal regulatory documents of PJSC MMK.

- risk management is carried out in a structured and complex manner, which leads to consistent and comparable results;
- the structure and activities of risk management in Companies are adjusted to the external and internal environment of the Company;
- stakeholders are involved in risk management activities that contribute to improved risk management;
- response to emerging risks is carried out in a timely and appropriate manner;
- information used to manage risks is relevant and of high quality;
- risk management is continuously being improved through training and experience.

5 Approaches to the organization and functioning of the risk management system

To meet the main targets, the following approaches are applied to the organization and functioning of the System in the Companies:

- 5.1 The Companies define goals and identify risks that impede the achievement of goals, assess risks, select and implement options to influence them.
- 5.2 Risk management is carried out at the strategic, operational and project levels, and systematic risk monitoring is organized.
- 5.3 Information exchange and consultation with relevant external and internal stakeholders is carried out in the process of risk management.
- 5.4 Companies determine the amount and type of risks that may or may not be accepted (determine the risk appetite) and inform stakeholders thereof (including within the Companies).
- 5.5 The Companies have defined separate units (functions) for coordinating activities within the System.
- 5.6 The management bodies of the Companies ensure the effective functioning of the System, the development of employees' competences, and also distribute powers, duties and responsibilities among the employees of the Company in risk management activities in internal regulatory documents.
- 5.7 The unit performing the functions of internal audit conducts an independent analysis (assessment) of the reliability and effectiveness of the Company's risk management system.
- 5.8 The results of the analysis, the identified significant shortcomings of the System are brought to the attention of the management bodies of the Companies and the Board of Directors (if there is such a body with the relevant competencies in the Company).
- 5.9 The Board of Directors of the Company (if there is such a body with relevant competences in the Company) or the governing bodies of the Company (if there is no such a body with relevant competences in the Company) monitor the operation of the System, analyze the effectiveness of risk management and, if necessary, make recommendations for improvement of the System. The Audit Committee of the Board of Directors prepares recommendations for the Board

of Directors before it makes decisions on issues related to controlling the reliability and efficiency of the System at MMK.

5.10 To eliminate the identified shortcomings, corrective actions are developed and implemented.

5.11 To ensure the effective functioning of the System, the management bodies of the Companies assume responsibility for creating conditions and providing resources, and are responsible for implementing decisions of the Board of Directors in the field of risk management.