

## **APPROVED BY**

AS “Eco Baltia”  
Management Board meeting held on 18.08.2023  
(minutes No. 21/2023)

AS “Eco Baltia”  
Supervisory Board meeting held on 30.08.2023  
(minutes No. 26/2023)

## **RISK MANAGEMENT POLICY**

### **1. Introduction**

- 1.1. All activities undertaken by JSC “Eco Baltia” and its group companies (hereinafter referred to as – the “Group”) carry an element of risk. The exposure to these risks is managed through the practice of Risk Management.
- 1.2. This Risk Management policy is a statement of the Group's commitment to ensure the implementation, adoption and maintenance of an effective Risk Management program, and it outlines the main objectives, principles and organization of the Risk Management process.
- 1.3. The Group is focused on properly managing its risks to address both value protection and value creation.

### **2. Scope**

- 2.1. The Risk Management policy applies to all types and directions of the Group's activities and is binding on all Group employees.

### **3. Risk Management program**

- 3.1. “*Risk*” is the possibility that an uncertain event, action or set of circumstances which, if to occur, would have important adverse or beneficial effect on the Group companies’ ability to provide services, achieve the set business/project goals or effectively implement the planned strategy.
- 3.2. The Group’s intention is not to eliminate risk from its activities, but rather to enable managers to mitigate and manage it appropriately, within the established risk appetite.
- 3.3. Risk management process forms an integral part of the Group’s strategy setting process, decision-making, day-to-day management and operations.
- 3.4. The Risk Management process consists of the following main elements:
  - 3.4.1. Risk identification,
  - 3.4.2. Risk assessment,
  - 3.4.3. Risk treatment,
  - 3.4.4. Monitoring and review,
  - 3.4.5. Communication.

- 3.5. “*Risk identification*” is a deliberate and systematic effort to identify and document the risks (threats or opportunities).
- 3.6. “*Risk assessment*” is the overall process of analysis and evaluation of any given risk. It enables the nature, characteristics and level of risk to be understood and then compared to the risk appetite to determine whether further action is required.
- 3.7. “*Risk treatment*” refers to the various strategies, options and choices available to appropriately handle the threat and manage it in a possibly profitable way.
- 3.8. “*Monitoring and review*” refers to improving the quality and effectiveness of the risk management process design, implementation and results, through continuous improvements and iteration.
- 3.9. “*Communication*” is the process of exchanging information between interested parties about the nature, extent, significance or control of a risk, which would allow them to make informed and independent judgments.
- 3.10. The implementation of the Risk Management policy is supported through the development and utilization of relevant internal operating procedures, regulations or guidelines.
- 3.11. The functionality and effectiveness of Risk Management program are assessed through annual self-evaluations.

#### **4. Risk Classification**

- 4.1. In the Group, risks are classified into 4 categories, combining similar or related risks according to their potential consequences:
  - 4.1.1. Strategic risks,
  - 4.1.2. Operational risks,
  - 4.1.3. Safety/Hazard risks,
  - 4.1.4. Financial risks.
- 4.2. “*Strategic risks*” are uncertainties related to changes in the business environment and the ability of Group companies to take advantage of or prepare for these changes.
- 4.3. “*Operational risks*” are conditions that can prevent or hinder the achievement of the company's goals as a result of ineffective or failed internal processes, people, systems, or external events disrupting the flow of business operations.
- 4.4. “*Safety/Hazard risks*” are related to unknown or unexpected events with the potential for harm in terms of human injury or ill-health, damage to property, damage to the environment, or a combination of these. This category also includes physical and information security risks.
- 4.5. “*Financial risks*” include credit risk, tax and liquidity risks, as well as other risks that may arise in the company's accounting and reporting process. Financial risks are managed according to the Group’s Accounting Policy.

#### **5. Risk Appetite**

- 5.1. “*Risk appetite*” is the amount of risk that the Group is prepared to accept and be exposed to – in the name of potential benefits, over any given period of time.
- 5.2. The limits of the acceptable level of risk are defined by the Group’s Management Board in the Risk Appetite Statement.

5.3. Risk appetite is defined separately for each of the Strategic, Operational, Safety/Hazard and Financial risk categories.

## 6. Roles and Responsibilities

Supervisory Board:	<ul style="list-style-type: none"> <li>• Oversee the Group-wide risk management program and governance structure.</li> <li>• Approve the Risk Management policy.</li> <li>• Approve the Group-wide risk appetite and tolerance levels.</li> <li>• Review management's report on the Group's key risks.</li> <li>• Review the functionality and effectiveness assessments of the Group's risk management practices, controls and processes.</li> </ul>
Management Board: (Group-level)	<ul style="list-style-type: none"> <li>• Develop and implement the Group-wide risk management program.</li> <li>• Establish the Risk Management policy.</li> <li>• Set the Group-wide risk appetite and tolerance levels.</li> <li>• Monitor the Group's risk exposure and overall risk profile.</li> <li>• Monitor and continuously improve the functionality and effectiveness of the Group's risk management program.</li> <li>• Report to the Supervisory Board on the management of the Group's key risks.</li> </ul>
Management Board: (Company-level)	<ul style="list-style-type: none"> <li>• Set the tone and influence the culture of risk management within the company.</li> <li>• Ensure the implementation of the Risk Management policy in line with the Group's strategic guidelines.</li> <li>• Integrate risk management into decision-making processes.</li> <li>• Ensure adequate resources for risk management activities.</li> <li>• Review and endorse risk reports for the Group's Management Board and the Supervisory Board.</li> </ul>
Directors / CEO's:	<ul style="list-style-type: none"> <li>• Provide overall leadership and direction for risk management activities within the company.</li> <li>• Communicate the importance of risk management to the company.</li> <li>• Ensure that risk management practices are aligned with the company's strategic vision.</li> <li>• Identify and assess risks across the company.</li> <li>• Monitor and report on company's risk management performance.</li> </ul>

<p>Functional Managers / Risk Owners:</p>	<ul style="list-style-type: none"> <li>• Identify and assess risks in their area of responsibility and bring emerging corporate risks to higher management attention.</li> <li>• Implement the Risk Management policy and supporting procedures at the operational level.</li> <li>• Develop risk mitigation plans and control measures.</li> <li>• Report risks and risk management activities to higher management.</li> <li>• Ensure that their teams are aware of and adhere to risk management guidelines.</li> </ul>
<p>Individuals:</p>	<ul style="list-style-type: none"> <li>• Understand their accountability for individual risks.</li> <li>• Understand that risk management and risk awareness are a key part of the company’s culture.</li> <li>• Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.</li> <li>• Understand how they can enable continuous improvement of risk management processes.</li> <li>• Follow the Group’s <a href="#">Code of Ethics</a> or the <a href="#">Whistleblower procedure</a> if they have concerned that actions are not being taken properly through normal channels.</li> </ul>
<p>Internal Audit function:</p>	<ul style="list-style-type: none"> <li>• Support and facilitate identification and assessment of risks.</li> <li>• Conduct independent functionality and effectiveness assessments of the Group’s risk management practices, controls and processes.</li> <li>• Provide recommendations to strengthen risk management efforts.</li> <li>• Report findings to the Supervisory board and the management for corrective actions.</li> </ul>

## 7. Policy Administration

- 7.1. The Chairman of the Management Board of JSC “Eco Baltia” is considered the owner of the Risk Management policy.
- 7.2. The Risk Management policy is reviewed annually.
- 7.3. The Risk Management policy shall be reviewed by the Group’s Management Board and approved by the Supervisory Board.