



RHI MAGNESITA

Global Policy

Internal Audit, Risk & Compliance

Risk-Taking/Management Policy


Responsible: IA, R&C

Scope: Global

Confidentiality: Public

Aim: Policy and guidelines for the implementation of Risk-Taking/Management within RHI Magnesita.

	<p>Risk-Taking/Management is a process applied across RHI Magnesita, designed to enable RHI Magnesita decision-makers to identify areas where they can take more risks to accelerate progress and those where they need to adapt their approach.</p> <p>For more details on the Risk-Taking/Management process purpose, scope, and definitions, refer to section 1 and 2.</p>	<p>sections 1 & 2</p>
	<p>A range of stakeholders are involved in the Risk-Taking/Management process:</p> <p>The Board of Directors and EMT responsibilities in relation to Risk-Taking/Management are set out in the “Reserved Matters & Delegation of Authority”, and in the Audit Committee Terms of Reference.</p> <p>The Internal Audit, Risk & Compliance (IA, R&C) Team is the owner of the overall Risk-Taking/Management framework.</p> <p>Risk Owners are responsible for identifying, evaluating, managing and reporting risks to line management as well as to IA, R&C, as described in this document and in Appendix A.</p>	<p>section 3</p>
	<p>The Risk-Taking/Management Framework includes the following key elements:</p> <ul style="list-style-type: none"> ● Top-Down Risk Assessment ● Bottom-Up Risk Assessment ● Risk Deep-Dives <p>Explanations on such elements and related roles and responsibilities are detailed in section 4.</p>	<p>section 4</p>
	<p>The Risk Management Annual Process includes the following key elements:</p> <ul style="list-style-type: none"> ● Top-Down and Bottom-Up Risk Assessments ● Plant Risk Assessment ● Evaluation of risks to the strategy ● Fraud Risk Assessment ● Preparation of the Risk Section of the Annual Report <p>Explanations on such elements are detailed in section 5.</p>	<p>section 5</p>

	<p>IA, R&C takes into account feedback from key stakeholders to perform a yearly assessment of the Risk-Taking/Management Process to identify opportunities for improvement.</p>	<p>section 6</p>
---	---	-------------------------

In case of questions on this Policy and its underlying principles, please contact your Regional IA, R&C Team.

1 Purpose & Scope

Risk-Taking/Management is a process applied across RHI Magnesita, designed to enable RHI Magnesita decision-makers to identify areas where they can take more risks to accelerate progress and those where they need to adapt their approach.

This process helps decision-makers to identify potential risks that may affect RHI Magnesita, and manage such events to be within RHI Magnesita Risk Appetite, and achieve RHI Magnesita objectives.

The Risk-Taking/Management approach of RHI Magnesita is based on the principles set out in the COSO ERM 2017 standard.

Opportunities are captured by the Strategy Process.

2 Definitions

Risk = the possibility that an event may occur that will adversely affect the achievement of some company objectives. Such objectives can be related to the company goals for the year (e.g. budgeted EBITA), to the strategic targets for the upcoming years (e.g. 2025 strategy targets) and/or to the long term company goals.

Risk Likelihood = the probability that a given event will occur.

Risk Impact = the extent to which a risk event might affect RHI Magnesita.

Risk Velocity = the time it takes for a risk event to manifest itself.

Risk Appetite = the nature and extent of risk that RHI Magnesita is willing to accept to pursue its objectives.

Risk Tolerance = the acceptable level of variation that RHI Magnesita is willing to accept to pursue its objectives.

Risk Score = the level of risk measured by risk likelihood and impact.

3 Responsibilities

Risk-Taking/Management is affected by RHI Magnesita’s Board of Directors, EMT and RHI Magnesita employees.

The Board of Directors and EMT responsibilities in relation to Risk-Taking/Management are set out in the “Reserved Matters & Delegation of Authority” document, and in the Audit Committee Terms of Reference.

The Internal Audit, Risk & Compliance (IA, R&C) Team is the owner of the overall Risk-Taking/Management framework. IA, R&C’s role is to:

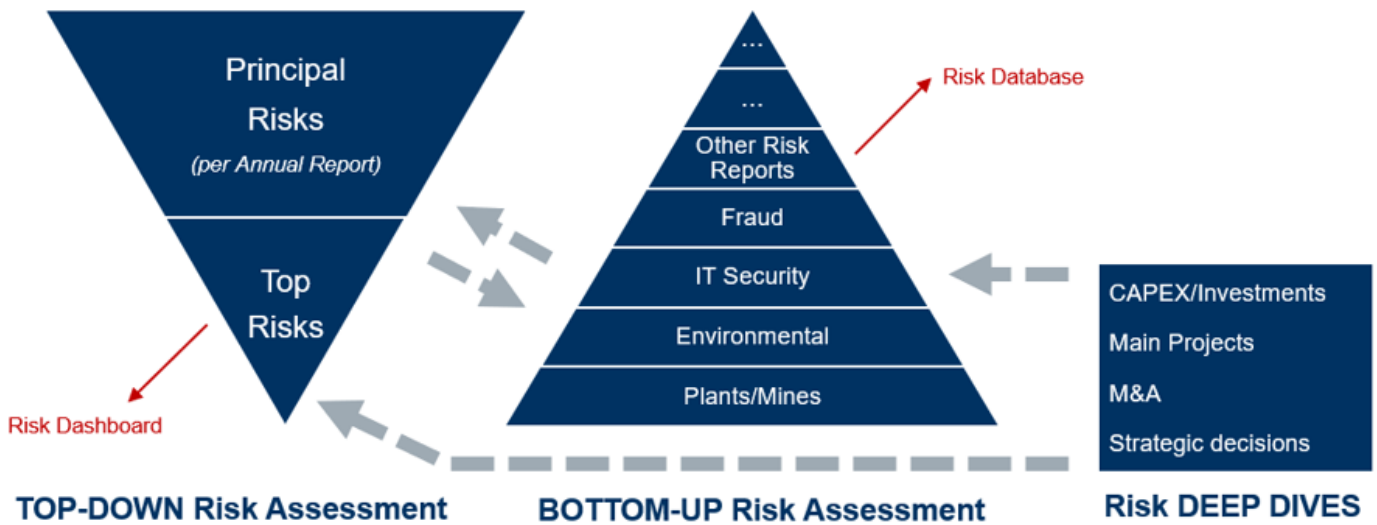
- Advise and support employees and managers on Risk-Taking/Management best practices
- Consolidate and analyse the risk information to provide insight to management, EMT and Board
- Develop and maintain the Risk-Taking/Management process and tools

Specific roles of IA, R&C are explained in detail in section 4.

RHI Magnesita employees and process owners are Risk Owners. As such, their role is to identify, evaluate, manage and report risks to line management as well as to IA, R&C, as described in this document and in Appendix A.

4 Risk-Taking/Management Framework

The following chart summarises the pillars of the RHI Magnesita Risk-Taking/Management approach graphically.



4.1 Top-Down Risk Assessment

4.1.1 Risk Dashboards

The Top-Down Risk Assessment is documented in the “Group Risk Dashboard” and in the “Regional/BU Risk Dashboards”.

The purpose of the Group and Regional/BU Risk Dashboards is to provide regional/BU management, the EMT and Board with a comprehensive and consistent view over the RHI Magnesita risk profile. This enables them to monitor key risks over time, assess whether they are within the Risk Appetite and ensure that necessary mitigating actions are taken.

The Group Risk Dashboard includes the Top risks (approximately 20) of the company. Regional/BU Risk Dashboards capture the top risks of the regions and key business unit. The methodology of the Regional/BU Risk Dashboards is consistent with the Group Risk Dashboard.

The risks captured by the Risk Dashboards are directly linked to RHI Magnesita Principal Risks which are included in the Annual Report, hence why this is called “Top-Down Risk Assessment”. However, it is important to notice that this top-down perspective is reconciled with the Bottom-Up Risk Assessment to ensure that any emerging risk highlighted by the bottom-up approach is brought to the attention of the regional/BU management/EMT, assessed and potentially included in the Risk Dashboards.

Each risk included in the Group Risk Dashboard is analysed through a Bow-Tie risk analysis performed by IA, R&C, which identifies the root causes of the risk and the potential consequences. Key Risk Indicators (KRIs), which monitor the root causes (leading key risk indicators) and the consequences (lagging risk indicators) are monitored over time and included in the Risk Dashboard.

The Group Risk Dashboard is prepared quarterly by IA, R&C based on the following sources of risk information:

- Principal Risks,
- Other relevant Risk Dashboards (e.g. Regional/BU Risk Dashboards, key projects Risk Dashboards)
- Risk Database,
- Risk deep dives,
- other risk information reported to IA, R&C (e.g. interviews with management)

The Risk Dashboards are discussed with relevant Management levels and EMT with the dual purpose of capturing additional information and providing risk insights. The process to capture risks to our strategy are further explained in section 5.3.

4.1.2 Roles and responsibilities

IA, R&C has a Risk Thought Leadership role and challenges the risk information within the Top-Down Risk Assessment process by:

- Monitoring risks over time,
- Providing insights on risks, and
- Promote coordinated Risk-Taking/Management approach.

Regional/BU Management and EMT are responsible for:

- Owning designated risks
- Providing relevant risk information to be included in the Regional/BU or Group Risk Dashboards,
- Evaluating risk insights highlighted by the Risk Dashboards to ensure that they are within the Risk Appetite, and
- Ensuring that necessary mitigating actions are taken to ensure that the residual level of risk is within the Risk Appetite and/or
- Taking appropriate risks, within the Risk Appetite.

4.2 Bottom-Up Risk Assessment

4.2.1 Risk Database

The Bottom-up Risk Assessment is documented in the “Risk Database”.

The purpose of the Risk Database is to log RHI Magnesita’s risks and monitor them over time. The risks logged into the Risk Database are linked to the top risks of the company included in the Group Risk Dashboard and to the Principle Risks included in the Annual Report.

While the Risk Dashboard is a higher level picture of the company risk profile, the Risk Database includes more granular information on risks.

Risk Database includes all the risks of RHI Magnesita meeting the reporting criteria specified in Appendix A and is maintained by IA, R&C based on the information provided by the owner of each process/area.

On a half-year basis, plant, mines, and key departments submit to IA, R&C a list of risks to IA, R&C to be included in the Risk Database. The Risk Register in Appendix D can be used to produce such a list.

Not all the risks identified at Business Unit, plant or Department level should be reported to the IA, R&C. Please refer to Appendix E for the information on which risks should be reported.

Department/process-specific risk registers already in place and which are filled in for other purposes (e.g. ISO certifications) can be used as a starting point to complete the Risk Register, however the Risk Register should include risks of different nature and not been limited to specific types (such as H&S or environment, for example).

4.2.2 Roles and responsibilities

IA, R&C has a Risk Coordination role within the Bottom-Up Risk Assessment process:

- Consolidation of risk information,
- Enhancement of Risk-Taking/Management best practices,
- Harmonisation of Risk-Taking/Management standards, and
- Support owners of areas lacking risk assessments to help them assess the risks of their areas.

Process owners, plant managers, BU heads should submit the Risk Registers for their area on a half-year basis and, as owners of the areas, are responsible for the performance of the risk assessments.

4.3 Risk Deep-Dives

The purpose of risk deep-dives is to perform a risk assessment on high-risk areas. It is typically conducted by IA, R&C in conjunction with the owner of the area.

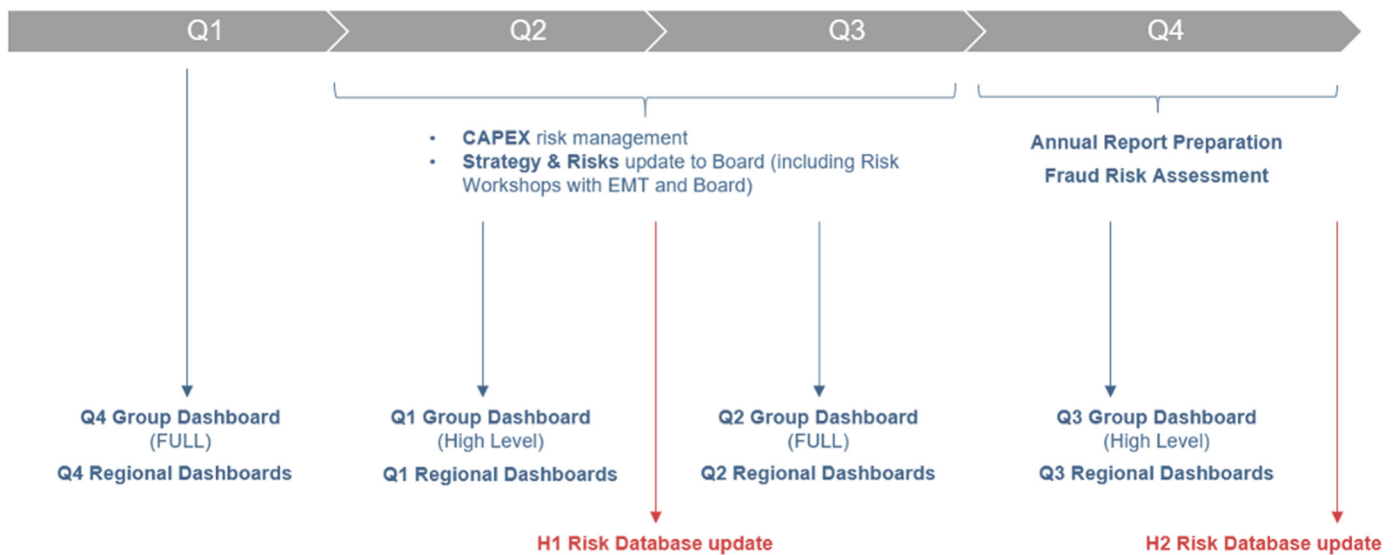
Ad-hoc risk documentation is typically produced for the Risk Deep-Dives. Results of the Risk Deep-Dives are included in the Risk Dashboard and/or in the Risk Database, as appropriate. In addition, the results are discussed and reported to the EMT.

IA, R&C has a Risk Advisory role within the Risk Deep-Dives and conducts the risk analysis, in conjunction with subject matter experts and Risk Owners.

5 Annual Risk-Taking/Management Process

Below an example of an indicative timeline of the recurring activities and deliverables within the annual Risk-Taking/Management Program. A range of other ad-hoc activities are performed throughout the year and, due to their nature, are not captured by the timeline.

5.1 Top-Down and Bottom-Up Risk Assessments



During the year, the Risk Owners are recommended to communicate any change in their risk assessment compared to the previous six months to the IA, R&C team. These Risk Assessments are captured in the Risk Database (refer to paragraph 4.2.1). This will enable the IA, R&C team to evaluate the risks included in the Risk Database and prepare the Risk Dashboards. These two dashboards are “full” dashboards which mean that all KRIs are updated.

5.1 CAPEX

During the annual CAPEX process, IA, R&C supports the other departments in evaluating the risk of non-investment to ensure consistent assessment of the CAPEX projects from a risk perspective.

5.2 Risks to the strategy

In order to have a comprehensive view of the company’s risks, it is crucial that risks to the company strategy delivery are evaluated.

For this reason, IA, R&C works closely with the strategy team and the FP&A team during the annual review of the strategy. Ad hoc work is performed in conjunction with these teams to bring insights on the risks to the strategy to the EMT and the Board.

Risk Workshops are conducted with the EMT and the Board by IA, R&C to evaluate risks to the strategy.

5.3 Fraud Risk Assessment

A Fraud Risk Assessment is performed by IA, R&C on an annual basis in conjunction with key process owners and EMT members. Significant fraud risks emerging from the Bottom-Up and Top-Down Risk Assessment are considered for the purpose of the Fraud Risk Assessment. The results of the assessment are presented to the Audit Committee.

5.4 Annual report

The IA, R&C updates the risk section of the Annual Report based on the Risk-Taking/Management annual cycle results to bring relevant information to external stakeholders.

In preparation for the Annual Report update, the EMT reassess the Principal Risks and the Risk appetite of such risks and recommends any change to the Board.

6 Annual assessment of the Risk-Taking/Management Process

IA, R&C performs a yearly assessment of the Risk-Taking/Management Process to identify opportunities for improvement and next improvement steps. The self-assessment takes into account feedback received by key stakeholders of the process, including EMT and Board.

The Audit Committee is required to assess the effectiveness of the Risk Management process on an annual basis. This will typically be based on the internal self-assessments from IA, R&C, feedback from Management and independent external reviews every two years. These external reviews of Risk Management will be undertaken with a frequency as agreed by the Audit Committee.