



RHI MAGNESITA

Global Policy

Internal Audit, Risk & Compliance

Risk-Taking/Management Policy

Creation : 12 December 2014

Revision : 29 May 2024

Scope : RHI Magnesita N.V. and its subsidiary companies

Aim: Policy and guidelines for implementing Risk-Taking/Management within RHI Magnesita.



Risk-taking/Management is a process applied across RHI Magnesita N.V. and its subsidiary companies (**“RHI Magnesita”/ “the Company”**), 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.

Sections 1 & 2

For more details on the Risk-Taking/Management process **purpose, scope, and definitions**, refer to **Sections 1 and 2**.



A **Range of Stakeholders** are involved in the Risk-Taking/ Management process:

The Board of Directors and Exexutive Management Team (**“EMT”**) responsibilities in relation to Risk-Taking/Management are set out in the applicable laws.

Section 3

The Internal Audit, Risk & Compliance (**“IA,R&C”**) Team is the owner of the overall Risk-Taking/Management framework.

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**.



The **Risk-Taking/Management Framework** includes the following key elements:

- Top-Down Risk Assessment
- Bottom-Up Risk Assessment
- Risk Deep-Dives

Section 4

Explanations of such elements and related roles and responsibilities are detailed in **Section 4**.



The **Risk Management Annual Process** includes the following key elements:

- Top-Down and Bottom-Up Risk Assessments
- Evaluation of the risk of non-investment within the Capital Expenses (“CAPEX”) process
- Evaluation of risks to the strategy
- Fraud Risk Assessment
- Preparation of the Risk Section of the Annual Report

Explanations of such elements are detailed in **Section 5**.

Section 5



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.

Section 6



Detailed explanations of the following topics are available in the Appendices:

- Appendix A** : Risk Assessment Process
- Appendix B** : Risk Appetite
- Appendix C** : Risk Scoring
- Appendix D** : Risk Register
- Appendix E** : Risk Interdependency Matrix
- Appendix F** : The Risk Dashboard

Section 7

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's Risk Appetite and achieve RHI Magnesita's 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 of the 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's 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's responsibilities in relation to Risk-Taking/Management are set out in the applicable laws.

The IA,R&C Team is the owner of the overall Risk-Taking/Management framework. IA,R&C's role is to:

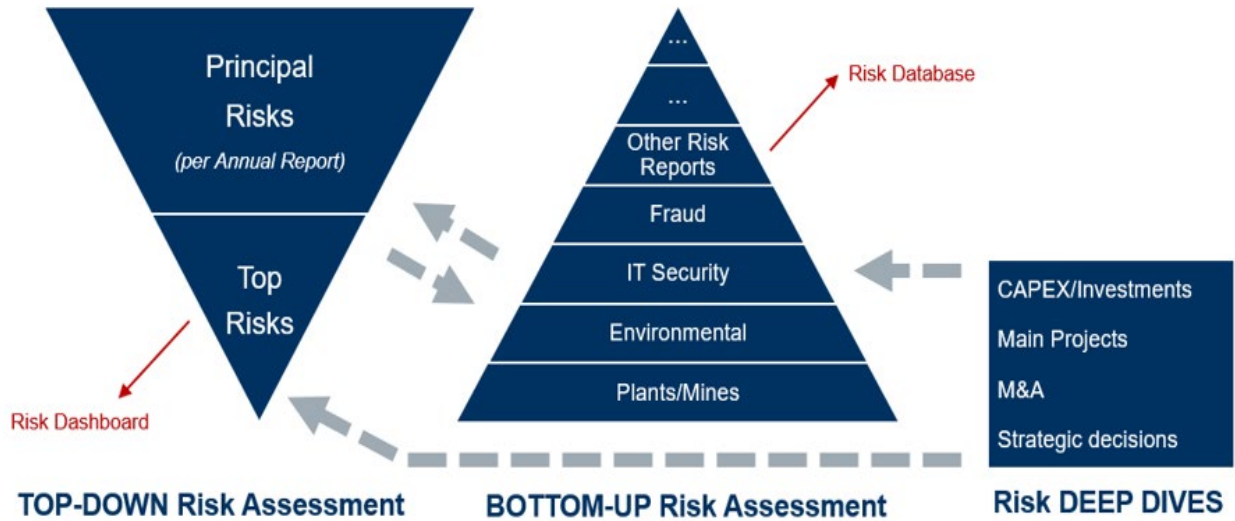
- Advise and support employees and managers on Risk-Taking/Management best practices
- Consolidate and analyze the risk information to provide insight to management, EMT, and Board
- Develop and maintain the Risk-Taking/Management process and tools

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 the Board with a comprehensive and consistent view over the RHI Magnesita risk profile. This enables them to monitor key risks overtime, assess whether they are within the Risk Appetite, and ensure that necessary mitigating actions are taken.

The Group Risk Dashboard includes the Top risks (approx.20) of the Company. Regional/BU Risk Dashboards capture the top risks of the regions and key business units. 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, 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 analyzed 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. More details on the Risk Dashboard layout, bow tie risk analysis, KRIs, and

Risk Tolerances are available in **Appendix F**. Details on the Risk Assessment Process, and methodology are provided in **Appendix A & Section 1**.

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 CEO-2 level and EMTs with the dual purpose of capturing additional information and providing risk insights. The process of capturing risks to our strategy is 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, as outlined in **Appendix A**,
- Providing insights on risks, and
- Promote a 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, as defined in **Appendix A**. 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 principal 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.

The 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 the 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 be limited to specific types (such as H&S or environment etc.).

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, and 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.

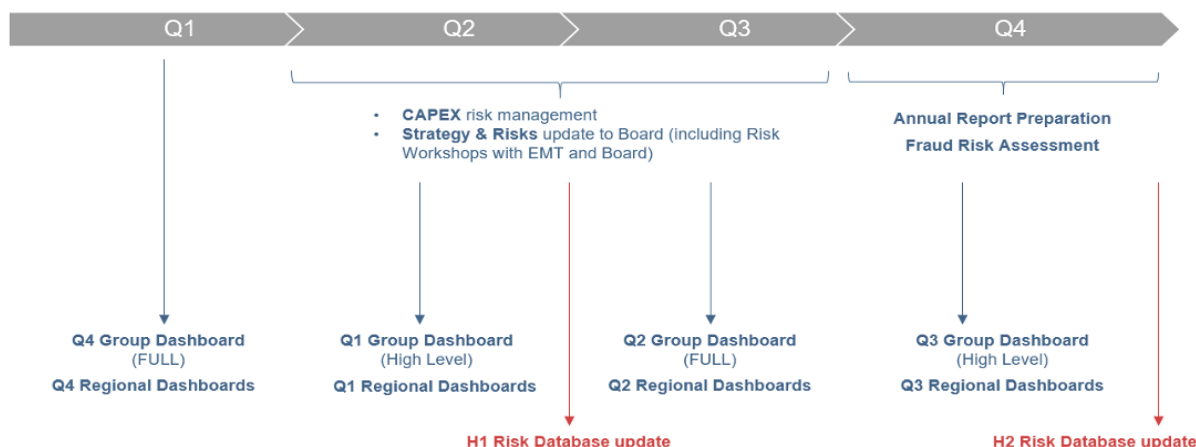
Ad-hoc risk documentation is typically produced for the Risk Deep Dives. Results of the Risk Deep Dives are included in the Risk Dashboard and/or in the Risk Database, as appropriate. In addition, the results are discussed and reported to the EMT.

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 is an example of a 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 required 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 Q2 and Q4 Risk Dashboards. These two dashboards are “full” dashboards which means that all KRIs are updated.

In Q1 and Q3, the Risk Dashboards are updated at a “High level”, which means that only the KRIs directly related to the top 10 strategic targets of the Company are updated. Besides, any information related to changes in key risks during the quarter or during the review of the dashboard with Risk Owners is also included.

5.2 CAPEX

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

5.3 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 work 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.

5.4 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.

5.5 Annual report

The IA,R&C update 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 reassesses 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 the 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. These external reviews of Risk Management will be undertaken with a frequency as agreed by the AuditCommittee.

7. ADDITIONAL DOCUMENTS

7.1 Appendix A: Risk Assessment Process

The "Risk Assessment Process" sets out and provides details on the 5 risk assessment steps: Identification, Assessment, Mitigation, Monitoring, and Reporting.

Main stakeholders of the document: Risk Owners, IA, R&C.

7.2 Appendix B: Risk Appetite

It includes an explanation of the Risk Appetite, RHI Magnesita Risk Appetite definitions, and the Risk Evaluation Matrix. Main stakeholders of the document: Risk Owners, IA,R&C, EMT, Regional/BU Heads, Board.

7.3 Appendix C: Risk Scoring

Includes the Risk Scoring Definitions for Risk Likelihood, Impact, and Velocity and the Risk scoring Matrix. Main stakeholders of the document: Risk Owners, IA,R&C, EMT, Regional/BU Heads.

7.4 Appendix D: Risk Register

Includes a template that can be used by areas/departments as Risk Register. Main stakeholders of the document: Risk Owners, IA,R&C.

7.5 Appendix E: Risk Interdependency Matrix

The "Risk Interdependency Matrix" shows the inter-relationships amongst RHI Magnesita's key risks. This model is particularly useful to understand how risks can crystallize at the same time and/or the crystallization of a few risks could impact the behavior of other risks. The template is provided in the Appendix E, wist the actual matrix is available with and maintained by the IA,R&C team.

Main stakeholders of the document: IA,R&C.

7.6 Appendix F: The Risk Dashboard

Includes an explanation of the key elements of the RHI Magnesita Risk Dashboard.

Main stakeholders of the document: Risk Owners, IA,R&C, EMT, Regional/BU Heads, Board.