

DTEK's Policy

Risk Management





I. RISK MANAGEMENT POLICY STATEMENT

I. RISK MANAGEMENT POLICY STATEMENT

RISK MANAGEMENT SYSTEM MISSION

DTEK is committed to providing informed decision making based on identification, assessment and management of existing and potential risks and opportunities.

OBJECTIVES OF RISK MANAGEMENT POLICY IMPLEMENTATION INCLUDE:

- The establishment of a unified approach to risk management throughout the Group companies
- The achievement of reasonable confidence in attaining the Group's strategic and operational goals
- The provision of adherence to the adopted rules, policies and procedures

RISK MANAGEMENT POLICY PRINCIPLES

To implement the Risk management policy, the Group shall:

- systematically identify and assess the risks, which influence the achievement of strategic and operational goals.
- ensure that any decisions are made with due regard to potential risks and the appropriate appetite for risk
- select the optimal risk management strategy by comparing the reduction of risk level and the cost of the relevant risk management measures
- regularly monitor the effectiveness of risk management measures
- create and maintain a system of internal control that will set the decision-making rules/procedures and the requirements for the organization of business processes
- monitor the observance by all employees of the established requirements of the internal control system, policies, regulations and procedures
- perform regular assessment, including an independent evaluation, of the effectiveness of internal control and risk management system
- arrange insurance cover for the risks, management of which within the Group proves impractical or impossible
- control the insurance protection system in centralized manner



II. ORGANIZATION OF RISK MANAGEMENT PROCESSES

1. LIST OF RISK MANAGEMENT PROCESSES

- 1.1. Risk analysis and assessment is a process that includes the establishment of risk appetite, risk identification and assessment, as well as the development, implementation and monitoring of the risk reducing measures.
- 1.2. Internal control means a process of installing and maintaining compliance with the rules, policies and procedures in the Group's business processes.
- 1.3. Insurance is a process of building a system of insurance protection for the transfer of risks to third-party insurers, which involves the conclusion of complex insurance contracts and control of their execution, as well as the management of insurance claim compensation.

2. OBJECTIVES AND REQUIREMENTS FOR THE RISK MANAGEMENT PROCESSES

2.1. Risk analysis and assessment

Objectives

By regularly identifying and evaluating the risks, the Group strives:

- to forecast threats and opportunities in good time
- to reduce risks to an acceptable level (appetite for risk)
- to use to a maximum extent the opportunities available

To achieve these objectives, the Group shall observe the following principles:

- 2.1.1 The Group's companies should independently identify the risks. All the information on identified risks has to be kept and summarized in the Group's risk register
- 2.1.2 The risk assessment has to be carried out on a regular basis, with additional assessment to be made in case of significant changes in the external environment, the Group's strategy or goals
- 2.1.3 Risks of new key initiatives, projects have to be assessed and taken into account when deciding on their implementation
- 2.1.4 The assessment should be made on the basis of risk assessment criteria that reflect the Group's established risk appetite.
- 2.1.5 Management team has to be informed of and understand the risks affecting the achievement of companies' goals and those of the Group as a whole. Management team shall use the results of risk assessment in decision-making
- 2.1.6 Leaders of the Group's companies shall develop and implement plans to mitigate significant risks. The effectiveness of measures shall be determined by the reduction of both the risk level and the cost of measures
- 2.1.7 The results of the risk assessment and measures for their management shall be approved in a centralized manner
- 2.1.8 Centralized monitoring over the implementation of significant risk mitigation measures has to be provided in the Group



2.2. Internal Control

Goal

The Group strives to ensure reasonable certainty in achieving these goals while minimizing unjustified deviations from the established rules, policies and procedures

To achieve this goal, the Group agrees to comply with the following principles:

- 2.2.1. Internal control requirements are laid down in the regulatory system of the Group. Implementation of and compliance with these requirements shall be supervised by the heads of DTEK's enterprises, and in centralized manner
- 2.2.2. Senior management shall approve policies for each first-level business process to define the objectives and requirements for the process organization
- 2.2.3. Regulations and procedures shall be developed for key processes, which should describe, in particular, the specific control mechanisms, rules/procedure for decision-making, responsible persons and reporting procedures
- 2.2.4. The Group shall monitor the observance of the principle of effective separation of powers. One person cannot perform any operation related to the rights, property or reports of the Group and monitor its effectiveness at the same time
- 2.2.5. The Group shall provide formalization and documentation of fulfillment of all the key controls
- 2.2.6. A monitoring mechanism of the established rules and procedures as well as approved regulatory documents has been set up and operates. The liability shall be established and penalties applied to employees who do not comply with the above rules and procedures
- 2.2.7. Regular assessment of the internal control system effectiveness is performed which includes independent evaluation as well.

2.3. Insurance

Goal

The Group seeks to provide optimal insurance coverage of the risks that pose a threat to business, personnel's health, the environment and property interests of shareholders

To achieve this goal, the Group agrees to comply with the following principles:

- 2.3.1. Insurance protection shall be provided for the risks, the management of which within the Group proves impossible or unreasonable
- 2.3.2. The Group shall control the insurance protection system in centralized manner
- 2.3.3. The Group shall diversify its portfolio of risks between different risk bearers
- 2.3.4. When transferring risks to the insurance markets, the Group shall evaluate and use the opportunity of subsequent reinsurance



- 2.3.5. The Group shall identify the insurers on the basis of transparent and approved selection criteria. The cost and content of the insurance portfolio of the Group shall meet the best offer on the market
- 2.3.6. To ensure a reliable insurance cover of complex risks, certified insurance brokers have to be involved
- 2.3.7. The insurance cover shall be formed such that total amount of premiums on insured risk portfolio does not exceed the aggregated assessment of these risks
- 2.3.8. The Group shall provide and control the proper implementation of each stage, from the formation of insurance programs to the settlement of insurance events
- 2.3.9. The system of protection insurance shall cover all types of compulsory insurance and pay due regard to the reasonable requirements of counterparties

3. RESPONSIBILITY AND CONTROL

- 3.1 Every employee of the Group shall be liable to comply with the Risk management policy
- 3.2 Control over the proper implementation of risk management policies shall be performed by the Department of Internal Control and Risk Management, Senior Management team and the Supervisory Board of the Group

