APPROVED BY

Chairman of Board
of JSC “Almalyk JSC”
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Risk Management Policy

1. Introduction

1.1. This Risk Management Policy (hereinafter referred to as the Policy) of JSC “Almalyk Mining and Metallurgical Combine” (hereinafter referred to as the Company) has been developed in accordance with international standards in the field of risk management.

1.2. This document reflects the vision, goals, objectives and mission of the Company's Risk Management System (hereinafter referred to as the RMS), determines the risk management structure, the main stages of the risk management system, provides a systematic and consistent approach to the implementation of the risk management process in the Company.

1.3. The detailed description of the stages, methods and procedures of the management process, including the procedure for submitting and forms of reporting on risk management, the tasks, functions and responsibilities of participants in the risk management process and other components of the risk management process, are presented in the Company's Risk Management Guide.

1.4. This Policy applies to all types of activities of the Company. The Policy is mandatory for acquaintance and application by the heads of all structural divisions of the Company, risk owners and risk coordinators. In the performance of functional duties and the implementation of the tasks set, if this is related to the management of significant risks of the Company, each head of the Company, risk owner or risk coordinator shall be guided by the provisions set forth in the Policy.

1.5. The purpose of the risk management process is to keep the Company's risk within an acceptable extent for the Company and for key persons interested in the Company's activities (shareholders, management, the state, counterparties, clients). This process is an important component of the management process, all business planning processes and an integral part of the development of the corporate governance system.

1.6. The implementation of the RMS in the Company implies the establishment and development of the necessary infrastructure and culture, and also covers the application of logical and systematic methods for identifying risks, analyzing and assessing risks, managing risks and monitoring risk management measures inherent in all areas of the Company's activities.

1.7. The main element of the Company's risk management process is its integration with the specifics of the organization, the main principles of the Company's activities and the involvement of each employee of the Company in the risk management process.

This Policy uses the following basic concepts:

- **Risk** is a random event or phenomenon that causes uncertainty in achieving the goals set for the Company. The risk has two main calculated characteristics: the value (range) of deviation of target from set value due to the realization of a risk and the probability of the deviation of a goal by one or another amount due to the realization of a risk.
- **Risk Management Process** is a coordinated action for the management and control of the Company in relation to risk. This process is aimed at systematic identification, analysis, management and monitoring of risks that introduce uncertainty into the achievement of the Company's goals, in order to keep the Company's risk in an acceptable amount.
- **Risk appetite** is the level of uncertainty acceptable to the Company in achieving strategic goals. The risk appetite must be part of the Company's Long-Term Development Strategy and approved by the Supervisory Board of the Company.
- **Tolerance** (tolerance level, risk tolerance) is the acceptable level of deviation of a key performance indicator of the Company from the planned value for the forecast periods due to the realization of risks causing deviations of an indicator. Tolerance is established and approved by the Management Board and the Supervisory Board of the Company. Tolerance is established according to the most important for the Company, from the point of view of the implementation of strategies, key performance indicators.

- **Key (critical, significant) risk** is a risk, the realization of which in the forecast period is capable of deviating a key performance indicator (efficiency) of the Company by an amount exceeding the approved level of tolerance for this indicator. It is also a risk, the implementation of which in the period of strategic planning can lead to a violation of the Company's risk appetite.
- **Uncertainty level** is the range of deviations (possible value of deviations) from the given goals or indicators of the planned value. The level of uncertainty is measured in the same units as the target or indicator.
- **Risk Owner** – a person (employee/structural unit/collective body) of the Company who is responsible for the implementation of risk management activities and who has sufficient authority to implement risk management activities.

2. Goals and objectives of the Risk Management Policy

2.1. Basic goals of the Policy are:

1) building an effective integrated system and creating an integrated risk management process in the Company, as well as continuous improvement of activities based on a single standardized approach to risk management methods and procedures;
2) ensuring the definition of risk appetite and tolerance levels, as well as ensuring effective management of critical risks.

2.2. The policy is aimed at the implementation of the following tasks:

1) creation of a full-fledged base for decision-making and planning;
2) RMS (risk management system) becoming an integral part of the management process and business planning processes, which will improve the quality of the decision-making process, drawing up and approving long-term strategies and plans of the company, taking into account risks and keeping risks that introduce uncertainty into the achievement of strategic goals and key performance indicators Companies, to the extent permitted;
3) ensuring a continuous agreed risk management process based on timely identification, analysis, management and monitoring to achieve the set goals;
4) improving the efficiency of use and distribution of resources;
5) ensuring the efficiency of business processes, the reliability of internal and external reporting, and the promotion of compliance with legislative and regulatory requirements.

2.3. The main principles of the Company's risk management process are:

- **integrity** – consideration of the elements of the Company's total risk in the context of the corporate risk management system;
- **openness** – prohibition of considering the RMS as autonomous or justified;
- **structure** – comprehensive risk management system has a clear structure;
- **awareness** – risk management is accompanied by the availability of objective, reliable and up-to-date information;
- **continuity** – risk management process is carried out on an ongoing basis;
- **cyclicity** – risk management process is a constantly repeating built cycle of its main components.

2.4. The mission of the RMS in the Company is to build an integrated system that provides the Company's management bodies with timely information on risks necessary for making decisions taking into account risks and allocating resources in priority areas to ensure an acceptable level of risks.

2.5. The structure of the risk management system in the Company is represented by risk management at several levels involving the following management bodies, structural divisions and employees of the Company: Supervisory Board, Management Board, Risk Management and Internal

Control Committee, structural unit responsible for risk management, Internal Audit Service, risk owners and risk coordinators.

2.6. The structure and responsibilities in the RMS are distributed as follows:

- The **Supervisory Board** is responsible for the strategic development of the Company taking into account risks and makes appropriate decisions;
- The **Management Board** is responsible for creating a culture of "risk awareness", which reflects the risk management policy, and is also responsible for the effectiveness of the functioning of the RMS and risk management within the powers assigned to it by the Supervisory Board;
- The **Risk Management and Internal Control Committee** is an advisory body under the Management Board on all risk management issues;
- **Department for Monitoring Production and Financial Risks**, responsible for coordinating the risk management process in the Company;
- **Risk owners** are directly responsible for the implementation of measures to manage their risks and provide the necessary information to the structural unit responsible for risk management;
- **Risk coordinators** are responsible for the compliance of risk management practices with the approved RMS procedures in the structural unit they represent;
- **Structural divisions represented by each employee** are responsible for risk management, timely identification of new significant risks for the Company;
- The **Internal Audit Service** is responsible for the analysis (assessment) of the risk management system in the Company in order to provide information on the assessment of the Company's RMS to the Audit Committee under the Supervisory Board and directly to the Supervisory Board of the Company.

2.6. The Department for monitoring production and financial risks in the Company ensures an adequate flow of information - both vertically and horizontally. At the same time, information coming from the bottom up provides the Supervisory Board and the Management Board of the Company with information about current activities; on the identified risks, their assessment, control, response methods and the level of their management. Information sent from top to bottom ensures that goals, strategies and tasks are communicated through the approval of internal documents, regulations and instructions. The transfer of information horizontally implies the interaction of all structural divisions within the Company in the process of risk management.

2.7. Risk management in the Company is a constant, dynamic and continuous process and consists of the following stages:

- determining the level of risk appetite and the level of tolerance;
- identification of risks;
- analysis (risk assessment);
- risk management (planning additional measures to manage key risks and their implementation);
- monitoring the implementation of risk management measures.

3. Determining Risk Appetite and Risk Tolerance

3.1. The goals of the Company's activities are determined at the strategic level and set the basis for developing operational goals. The Company is exposed to risks from external and internal sources, and the main condition for effective identification, analysis and development of risk management methods is setting goals in such a way that for each of the goals risks are identified that introduce uncertainty in its achievement, and the amount of risk impact on achievement is indicated. goals.

The goals and objectives of the Company must be consistent with the approved risk appetite and tolerance level.

3.2. The Company's risk appetite should be an integral part of the Company's Long-Term Development Strategy and reflect an acceptable level of uncertainty for the Company in achieving strategic goals.

3.3. The basis for determining the level of risk appetite are Key Performance Indicators (KPI).

3.4. The method used by the Company for calculating the level of risk tolerance is based on the assessment of deviations of financial indicators accepted in the industry. The financial figures are multiplied by the respective variance ranges. The maximum value of the financial indicator is determined as the maximum size of the Company's tolerance level.

3.5. The calculation of tolerance is carried out in the Company annually based on the results of the annual financial statements.

3.6. The Company reviews the level of risk appetite in case of changes in strategic goals, as well as the level of risk that the Company is ready to accept in order to achieve such goals.

4. Identification of Risks

4.1. The risk identification stage is the determination of the Company's exposure to risks, the occurrence of which may affect the achievement of the Company's goals. In the process of identifying risks, the Company identifies and analyzes:

1) causes and sources of risk realization;
2) areas of risk occurrence and circumstances of their possible implementation;
3) risk realization scenarios, type, nature and scale of consequences in case of realization;
4) relationships between risks;
5) current measures to manage the identified risk.

4.2. The purpose of the risk identification process is to compile a Risk Register containing risks that may affect the achievement of objectives and key performance indicators.

When identifying risks, the Company analyzes risks not only as potentially negative events, but also as missed opportunities.

The Company strives for a comprehensive identification of risks based on the principle of the widest possible coverage of risk areas for each of the Company's goals, for each of the established development indicators.

The Company identifies and analyzes, among other things, those risks, the reasons for which are beyond the control of the Company.

4.3. In accordance with the main international risk management standards (COSO ERM, ISO 31000), the Company regularly conducts risk identification with the participation of employees of all structural divisions of the Company in order to identify the maximum range of risks, increase awareness of the surrounding risks and stimulate the development of the Company's risk culture.

4.4. Various combinations of methodologies and tools are used to identify risks, such as risk identification based on set goals and objectives, industry and international comparisons, seminars and discussions, interviews, a database of incurred losses, etc.

4.5. Identification of an event is systematized in the form of a Risk Register. The risk register is a list of risks faced by the Company in its activities. Responsibility for compiling the Risk Register lies with the structural subdivision responsible for the Company's risk management. For each risk, risk owners are identified, i.e. structural units that deal with this risk due to their functional duties. The Risk Register is supplemented by the structural divisions of the Company on an ongoing basis as new risks are identified.

4.6. Systematization of identified risks allows:

1) achieve consistency in the classification and assessment of risks, which contributes to a better comparison of the risk profile (by business processes, structural divisions, projects, etc.);

2) provide a platform for building more sophisticated risk assessment tools and technologies;

3) provide an opportunity for coordinated management and control of risks in the Company.

4.7. The following categories are used to classify risks:

1) **strategic risk** – the risk of losses due to changes or errors (shortcomings) in the determination and implementation of the Company's activity and development strategy, changes in the political environment, regional conjuncture, industry decline, and other external factors of a systemic nature;

2) **financial risk** – includes risks associated with the Company's capital structure, profitability decline, exchange rate fluctuations, credit risks and interest rate fluctuations, etc.;

3) **compliance risk** – the risk of losses due to non-compliance by the Company with the requirements of the legislation of the Republic of Uzbekistan, including regulatory legal acts, as well as internal rules and procedures;

4) **operational risk** – the risk of loss as a result of inadequate or erroneous internal processes, actions of employees and systems, or external events.

5) **occupational health and safety risks** – the risk of losses due to accidents at work, violations of technical safety requirements.

6) **environmental risks** – the risk of losses due to damage to the environment that has occurred.

5. Assessment of Risks

5.1. Risk identification and assessment aims to provide a general view of the existing risks and their size by performing a basic ranking to determine the most "weak" places. This process allows an assessment of the methods and procedures used to manage the main risks.

5.2. Assessing the probability of occurrence and the possible impact of risks allows you to develop an understanding of the risks, provides the necessary informative base for making decisions about the need to manage a particular risk, as well as the most appropriate and cost-effective strategies to reduce it.

5.3. The risk assessment process is carried out in order to identify the most significant (key) risks that may adversely affect the Company's activities and the achievement of strategic goals and objectives. These risks should be submitted to the Supervisory Board, which should make decisions on the management and control of these risks.

5.4. As part of the assessment and analysis of risks in the Company, qualitative, quantitative analyzes or a combination of them can be used, which create a methodological basis for the risk management process.

5.5. Initially, risk assessment is carried out on a qualitative basis, then for the most significant risks, a quantitative assessment can be carried out if necessary. Risks that cannot be quantified, there is no reliable statistical information for their modeling, or the construction of such models is not cost-effective, they are evaluated only on a qualitative basis.

5.6. All identified and assessed risks are reflected in the risk map. Risk map is a graphical and textual description of a limited number of the Company's risks, arranged in a rectangular table, along one "axis" of which the strength of the impact or significance of the risk is indicated, and on the other, the probability or frequency of its occurrence. The map shows probability or frequency on the horizontal axis, and impact strength or significance on the vertical axis. In this case, the probability of occurrence of the risk increases from left to right as you move along the horizontal axis, and the impact of the risk increases from bottom to top along the vertical axis. The risk map allows you to assess the relative importance of each risk (compared to other risks), as well as highlight the risks that are key and require the development of measures to manage them.

5.7. Evaluation of the effectiveness of the risk management system should be carried out by the IAS (internal audit service) on an annual basis.

6. Risk Management Activities

6.1. Risk management measures are aimed at preventing violations of:

1) the level of risk appetite of the Company;
2) tolerance levels for the most important key performance indicators of the Company.

6.2. The Company determines risk response methods and develops a key risk management plan.

Risk management is the process of developing and implementing measures to reduce the negative effect and the likelihood of losses or receive financial compensation in the event of losses associated with the risks of the Company's activities.

To ensure the efficiency of the process and reduce the costs of its implementation, the Company should focus on the development and implementation of measures to manage only key risks.

The decisions made on risk management are reviewed and approved by the Risk Management and Internal Control Committee, the Management Board or the Supervisory Board of the Company as necessary to make these decisions and are binding on all structural divisions.

Responsibility for the implementation of the approved risk management measure rests with the Risk Owner.

6.3. The choice of risk response methods and the development of action plans to manage key risks in order to ensure an acceptable level of residual risk includes the following options:

1) *risk reduction (reduction and control)* – impact on risk by using preventive measures and planning actions in case of risk realization, which includes changing the degree of probability of risk realization downward and changing the causes or consequences of the risk realization in order to reduce the level of possible losses;
2) *acceptance (retention) of risk*, implying that its level is acceptable for the Company, and the Company accepts the possibility of its manifestation, it is also possible to accept the residual risk after taking measures to minimize it;
3) *transfer (financing) of risks* – transfer/sharing of risk or partial transfer of risk to another party, including the use of various mechanisms (concluding contracts, insurance agreements, determining the structure) that allow the division of responsibilities and obligations;
4) *risk avoidance (escaping/evasion of risk)* by making a decision against continuing or taking the action that is the source of the risk.

7. Monitoring the Implementation of Risk Management Measures

7.1. The Company divides the monitoring of the implementation of risk management measures into:

1) Monitoring the implementation of measures to manage non-critical risks;
2) Monitoring the implementation of measures to manage key (critical) risks.

7.2. Monitoring of the implementation of risk management measures (non-critical) is carried out by the Production and Financial Risks Monitoring Department and the Internal Audit Department on the basis of selective control checks no more than once a year.

7.3. Risk management activities (non-critical) are controlled at the level of Risk Owners within their current powers and responsibilities.

7.4. In order to monitor the implementation of risk management (non-critical) measures, the Production and Financial Risk Monitoring Department and the Internal Audit Unit have the right to request information from Risk Owners on the progress in the implementation of risk management (non-critical) measures. The Production and Financial Risk Monitoring Department and the Internal Audit Department analyze the information received together with the Risk Owners and submit the results of the analysis to the Risk Management and Internal Control Committee, the Management Board, the Audit Committee and the Supervisory Board.

7.5. The Operational and Financial Risk Monitoring Department and the Internal Audit Department request information on risk management activities (non-critical) on a selective basis as necessary, either on their own initiative or on the initiative of the Risk Management and Internal Control Committee, the Management Board, the Audit Committee or Supervisory Board.

7.6. Monitoring of the implementation of measures to manage key (critical) risks is carried out by the Risk Management and Internal Control Division and the Internal Audit Division based on the plan for monitoring measures to manage key (critical) risks.

7.7. Measures to manage key (critical) risks are controlled at the level of the Risk Management and Internal Control Committee, the Management Board of the Company, which approves both the measures to manage key (critical) risks directly and the plan for monitoring the implementation of measures to manage key (critical) risks.

7.8. In order to monitor the implementation of measures to manage key (critical) risks, the Production and Financial Risk Monitoring Department and the Internal Audit Unit have the right to request information from the Risk Owners on the progress in the implementation of measures to manage key (critical) risks. The Production and Financial Risk Monitoring Department and the Internal Audit Department analyze the information received together with the Risk Owners and submit the results of the analysis to the Risk Management and Internal Control Committee, the Management Board and the Audit Committee of the Supervisory Board.

7.9. The Production and Financial Risk Monitoring Department and the division for internal audit request information on measures to manage key (critical) risks in accordance with the terms provided for in the plan for monitoring the implementation of measures to manage key (critical) risks, or at the request of the corporate governance bodies of the Company.

7.10. The plan for monitoring the implementation of measures to manage key (critical) risks is an integral part of the Action Plan for managing key (critical) risks and establishes monitoring deadlines.

7.11. The Company has established reporting by the Owners of Key (Critical) Risks and the Risk Management and Internal Control Division to the Risk Management and Internal Control Committee, the Management Board and the Audit Committee and the Supervisory Board on the implementation of measures to manage key (critical) risks.

This reporting is submitted as part of reports on the management of key (critical) risks, is compiled based on the results of monitoring the implementation of measures to manage key (critical) risks, and is carried out at the request of the Company's corporate management bodies.

8. Information and Communications

8.1. The Production and Financial Risk Monitoring Department in the Company ensures an adequate flow of information – both vertically and horizontally. At the same time, the information coming from the bottom up provides the Supervisory Board and the Management Board of the Company with information about: current activities; on the risks taken in the course of activities, their assessment, control, response methods and the level of their management.

8.2. Information sent from top to bottom ensures that goals, strategies and tasks are communicated through the approval of internal documents, regulations and instructions. The transmission of information horizontally implies the interaction of structural divisions within the Company.

8.3. The objectives of the process of regular exchange of information on risks within the Company are to:

1) assign personal responsibility for managing certain significant risks to the relevant managers (Risk Owners);

2) timely bring to the attention of the Supervisory Board of the Company information about all risks that need to be managed at the appropriate level of the Company;

3) timely bring to the attention of the executors of risk management measures information about their personal responsibility for the implementation of relevant measures (including the expected result, deadlines, resources, etc.);

4) ensure effective exchange of information in the course of managing the Company's cross-functional risks.

8.4. In the process of implementation of each component of the risk management system, information is exchanged between the structural divisions of the Company. All materials and documents prepared as part of the risk management system are coordinated with the departments concerned, who make their comments and suggestions.

8.5. Information and communication in the Company make it possible to provide participants in the risk management process with reliable and timely information about risks, increase the level of awareness of risks, methods and tools for responding to risks. Relevant information is determined, recorded and provided in a form and at a time that allows employees to effectively perform their functions.

8.6. The subdivisions of the Company constantly monitor and inform the subdivision responsible for risk management about the losses that have occurred. For each realized risk, an analysis of the causes of losses is carried out, and measures are taken to prevent similar incidents in the future.

8.7. The Company communicates to partners, creditors, external auditors, rating agencies and other interested parties (including as part of the annual report) information on risk management, while ensuring that the level of detail of the information disclosed corresponds to the nature and scale of the Company's activities.

8.8. The Company monitors the effectiveness of the risk management system (including existing management methods and means of controlling risks). Monitoring is carried out on a regular basis at least once a year.

8.9. The Company monitors and controls its risks in accordance with the main principles, policies, rules and regulations established by the Supervisory Board of the Company.

9. Analysis (Assessment) of the Risk Management System

9.1. Analysis (assessment) of the risk management system is carried out by the Company on a regular basis.

9.2. The Company may involve external parties in an independent analysis (assessment) of the risk management system, at its own discretion, but not more often than once every three years.

9.3. The analysis (assessment) of the risk management system is based on checking the compliance of the actual risk management processes carried out by the Company with the provisions of this Policy and the Company's Risk Management Guidelines.

9.4. When conducting an analysis (assessment) of the risk management system, criteria that contradict the provisions of this Policy and the Company's Risk Management Guidelines should not be used.

9.5. The criteria by which the analysis (assessment) of the Company's risk management system is carried out should reflect the provisions of this Policy and the Company's Risk Management Guidelines, and include the following groups of criteria that characterize the high quality level of risk management processes:

1) Availability at the Company of an up-to-date and comprehensive understanding of the risks of the Company;

2) Availability of retention of the Company's risks within the established level of acceptable risk (tolerances and the risk of the Company's appetite).

10. Purpose of the Risk Management Policy

10.1. The purpose of the Policy is to ensure the systematic and phased implementation of the risk management process in accordance with the best practices, as well as to ensure the integration of this process into the activities to achieve the strategic and operational goals of the Company.

10.2. The policy ensures a unified approach to the risk management process at all levels of the Company's management.

11. Competence

11.1. This Policy is approved by the Chairman of Board of the Company. Control over the implementation of the Policy is entrusted to the Chairman of Board of the Company.

12. Revision of the Policy

12.1. The policy is subject to revision as necessary. The Management Board of the Company, with the support of the Risk Management Committee, submits proposals for amendments and additions to the Policy.