

# 1. General Provisions

**1.1 Risk management** is an important and integral part of the strategic business planning and decision-making processes of Softline PJSC (hereinafter referred to as the Company and/or Softline), which facilitates the achievement of goals and strengthens the ability to respond to emerging challenges. This Internal Control and Risk Management Policy (hereinafter referred to as the Policy) defines the goals, objectives, and system of risk management and internal control of the Company.

Risk is inherent in everything we do, and Softline, as a growing organization, must understand its risks to be successful and sustainable. To be effective, an organization must evaluate the uncertainties and consequences of a range of options and manage the impact of the choices it makes. When approached correctly, effective risk management can also give us a competitive advantage; our clients seek a partner they can trust to help them manage their own risks, so if we manage risks better than our competitors, this can help us capitalize on growth opportunities.

**1.2 Internal control** is a process carried out by the Board of Directors of the Company, managers and employees at all levels of management and aimed at obtaining reasonable assurance that the Company ensures the efficiency and effectiveness of its activities.

**1.3** As with all aspects of good governance, the effectiveness of the risk management and internal control system (RMICS) depends on the individuals responsible for its operation. Our internal control and risk management culture encourages openness, supports transparency, welcomes constructive challenges, and promotes collaboration, consultation, and interaction.

## 2. Purpose of this policy and its target audience

**2.1** The purpose of the Policy is to set out the basic requirements for internal control and risk management of the Company, focusing on the system and structure of risk management and internal control.

The policy is intended to:

- members of the Board of Directors of the Company;
- management of the Company;
- risk and internal control specialists;
- business risk owners;
- persons responsible for implementing policies.

**2.2** While the key stakeholders identified above are the foundation for effective governance, risk management and internal control, each employee, regardless of their position, must remember that the RMICS is an important aspect of their role and the corporate culture of the Company.

### 3. Goals and objectives of the SURE

#### 3.1 The objectives of the RISC are:

- ensuring sufficient confidence in achieving the Company's goals;
- ensuring the efficiency of the financial and economic activities of the Company.

#### 3.2 The main objectives of the RISC are:

- creation and improvement of the system and regulatory methodological basis for the effective functioning of the internal control and risk management process;
- integration of risk management and internal control procedures into the strategic and operational activities of the Company, which will enable proactive and timely response to changes in key factors of the external and internal environment;
- increasing stakeholder awareness of risks and their influence on the activities of the Company;
- reduction of the negative impact of changes in key factors of external and the internal environment to achieve the goals of the Company;
- ensuring the completeness and reliability of financial and statistical data and management reporting of the Company;
- ensuring the safety of the Company's assets;
- ensuring control over compliance with legal requirements, and also internal regulatory documents of the Company;
- ensuring the Society's commitment to honesty and openness in business management and ethical values.

### 4. Scope of the policy

**4.1** The Company's risk management should be considered in conjunction with with strategic, tactical, and operational objectives. Therefore, it encompasses both external factors, such as environmental impacts, disasters, or legislative changes, and internal factors, such as our leadership and service delivery. A detailed list of factors is provided

below:

#### 4.1.1 Environmental factors:

- political;
- economic;
- social;

- technological;
- legal (legislation);
- ecological.

#### **4.1.2 Strategic factors:**

- management efficiency;
- interaction with shareholders/stakeholders;
- emerging risks;
- reputational factors.

#### **4.1.3 Legal/contractual/regulatory factors:**

- risks from partners, suppliers and clients;
- intellectual property agreements;
- contracts, etc.

#### **4.1.4 Operational factors:**

- efficiency of work with personnel (personnel);
- processing;
- operability of systems, including in the areas of information security, supply chains, and finance.

### **5. Principles and structure of the Management System of the Control and Information System**

**5.1** The RMICS ensures the consistent and reliable identification and management of opportunities and risks at the desired level throughout the organization, supporting openness, a willingness to embrace challenges, innovation, and excellence in achieving objectives. For the RMICS to be considered effective, the following principles must be applied:

**5.1.1** Risk management and internal control should be an integral part of governance and management and a fundamental factor in how the organization is directed, managed and controlled at all levels.

**5.1.2** Duties and powers are distributed among the subjects (participants) of the internal control system in order to reduce risk.

**5.1.3** Risk management and internal control should be an integral part of all organizational activities to support decision-making procedures to achieve objectives.

**5.1.4** The standards and principles applied in the internal control risk management system must be uniform for all divisions of the Company.

**5.1.5** Internal control is a continuous process that involves regularly updating business processes in accordance with changing internal and external factors. The management of the internal control system should be continually improved through training and experience for all process participants.

**5.1.6** Risk management and internal control should be carried out on a collective basis using the most complete information and experience

all participants in the process.

**5.1.7** Effective and open communication and exchange of information between all participants in the risk management and internal control system are important and integral parts of the risk management process.

**5.2** The risk management framework should include the following stages:

**5.2.1** Identify and assess risks to determine and prioritize risk management.

**5.2.2** Select, develop and implement risk management options that contribute to the achievement of intended results and ensure that risks are managed at an acceptable level.

**5.2.3** Development and operation of comprehensive, in-depth and informative risk monitoring.

**5.2.4** Provide timely, accurate and useful risk reporting to improve decision-making and support management and supervisors in fulfilling their responsibilities.

## 6. Participants of the SURiVK

**6.1** Risk management and internal control is a multi-level process that corresponds to the organizational structure of the Company.

**6.2** The Board of Directors' responsibilities in the area of risk management and internal control include the following powers:

- determination of principles and approaches to the organization of risk management in the Company (including approval of the Company's internal documents defining policy in this area);
- approval and revision of risk appetite;
- consideration and approval of the Company's strategy taking into account the Company's risks;
- consideration and monitoring of the most significant risks to which Society is exposed;
- review of reports of the sole executive body of the Company on the functioning of the risk management and internal control system;
- organizing the assessment of the reliability and effectiveness of risk management and internal control at least once a year;
- review at least once a year of the materials and results of the internal audit assessment of the reliability and effectiveness of risk management and internal control;
- consideration of the conclusion of the external assessment of the effectiveness of risk management and internal control in the event of an auditor being engaged to conduct an internal audit.

**6.3** The Audit Committee of the Board of Directors (hereinafter referred to as the Audit Committee) is responsible for assisting the Board of Directors in monitoring the overall risk management system, financial reporting processes, ethics and compliance,

The work of auditors and oversight of the audit program are within the Audit Committee's purview. The Audit Committee is responsible for overseeing the reliability and effectiveness of the RMICS.

On an annual basis, the Audit Committee analyses the external, internal operational, legal and compliance risks faced by the Company (based on information prepared by the operational risk management unit) and approves a list of the most significant "Company Risks".

The audit committee considers measures to mitigate applicable risks and discusses emerging risks in the external or internal environment, and monitors the reliability and effectiveness of the internal control system.

**6.4** An independent assessment of the effectiveness of the risk management and internal control system is carried out by the Company's Internal Audit Department. The assessment of the effectiveness of the risk management and internal control system includes, among other things:

- conducting an analysis of the compliance of the objectives of business processes with the goals of projects and structural divisions with the goals of the Company, checking the reliability and integrity of business processes (activities) and information systems, including the reliability of procedures for combating illegal actions, abuse and corruption;
- identification of deficiencies in the risk management and internal control system that prevent the achievement of set goals;
- checking the effectiveness of control procedures and other measures risk management, including the efficient use of resources allocated for these purposes;
- assessment of the results of the implementation of measures to eliminate violations, shortcomings and improvement of the risk management and internal control system;
- verification of the reliability of accounting (financial), statistical, management and other reporting, determining the extent to which the results of the activities of business processes and structural divisions of the Company correspond to the set goals;
- verification of the efficiency and appropriateness of resource use;
- verification of asset security;
- verification of compliance with legal and internal requirements documents;
- verification of the sufficiency and viability of the elements of the risk management system for effective risk management (goals and objectives, infrastructure, organization of processes, regulatory and methodological support, interaction of structural divisions within the risk management system, reporting);
- verification of the completeness of identification and correctness of risk assessment by management Societies at all levels of its management;
- checking the effectiveness of control procedures and other measures risk management, including the efficient use of resources allocated for these purposes;

- verification of the effectiveness of risk response measures and their maintenance within the Company's risk appetite;
- verification of the procedure for collecting and exchanging information on risks within the Company to ensure an appropriate response to risks;
- conducting an analysis of information on realized risks (violations, facts identified as a result of internal audits

failure to achieve the set goals, facts of legal proceedings).

**6.5** Within the framework of the risk management and internal control system, the General Director

- exercises control and monitoring of the most significant risks to which the Company is exposed;
- monitors the reliability and efficiency of the functioning of the ICS&VC;
- exercises control over procedures that ensure the Company's compliance with legal requirements.

**6.6** Business process owners perform the following functions in the area of internal control

- creation of a management structure;
- supervision, development and management of the Company's Risk Reduction Strategy;
- approval or coordination with the operating unit  
internal control and compliance with written standards and controls;
- overseeing the implementation of the internal control and risk mitigation strategy in accordance with clear deadlines;
- reporting on the progress of implementing the strategy in the area of internal control and risk reduction.

## 7. The internal control management structure is based on the concept of "3 lines of defense"

### 7.1 First Line of Defense

Operations units form the first line of defense with controls responsible for embedding risk management elements into the company's decision-making process and key business operations.

Business units are risk owners and are responsible for identifying, managing, mitigating, analyzing, and reporting on key risks. Heads of operational units are responsible for developing, implementing, and ensuring the functioning of control procedures in the relevant business processes.

### 7.2 Second Line of Defense

The departments responsible for internal control and management in the company develop and implement a methodological approach to risk management, define standards and coordinate the company's actions in the field of management

risks, including related processes, technologies and culture.

### 7.3 Third Line of Defense

The Board of Directors assesses and approves the Company's risk level, taking into account strategic goals and risk management objectives. The Audit Committee assists the Board of Directors in overseeing the effectiveness of the organization's internal control and risk management systems.

The Internal Audit Service conducts an independent assessment of the quality of existing risk management processes, identifies violations, and makes proposals for improving the internal control and risk management system. Under the supervision of the Audit Committee, the Internal Audit Service monitors the functions of the first and second lines of defense and oversees the implementation of corrective actions to improve the system.

risk management.

### APPROVED

By the Board of Directors of Softline PJSC on March 10, 2023 (Minutes No. 2/23 dated March 13, 2023)