Elmos Semiconductor SE
ESG Policies

Section:	Governance
Chapter:	Compliance
Policy:	Risk management system (RMS)
Coverage:	Elmos Group
Supported UN SDGs:	
Addressed GRI standards:	2-24, 207, 403

Introduction: Elmos has a compliance management system (CMS) in place. The Elmos CMS represents a Group-wide binding framework for all employees for the purpose of compliance with applicable laws, regulatory provisions, and internal and external rules and regulations in all business areas. Part of the CMS is a company-wide risk management system (RMS), which is designed to ensure the continued existence of the company as well as the company's success. It complies with the legal requirements for a risk management system in accordance with Section 91 (3) of the German Stock Corporation Act (Aktiengesetz, AktG) and meets the extended requirements of the German Act to strengthen Financial Market Integrity (Finanzmarktintegritätsstärkungsgesetz, FISG).

Responsibility: The overall responsibility for the RMS lies with the Management Board. To this end, the Management Board has initiated a risk management process and anchored it organizationally within the company in the form of a risk management team. The risk management team is made up of representatives from our subsidiaries, division heads and designated risk managers. The risk management team is responsible for central coordination within the company, risk reporting and reporting to the Management Board. The effectiveness and appropriateness of the risk management system is regularly reviewed by means of internal and external audits. The Management Board informs the Supervisory Board about the risk management at least once a year, or more frequently if required.

Risk assessment: Risk assessment is divided into three areas: risk identification, risk analysis and risk assessment.

<u>Risk identification:</u> Risks, including climate-related risks, are regularly identified and their impact on the company's objectives and continued existence is analyzed. Binding standards and rules have been defined for risk identification. The risks identified are recorded in a comprehensive list (RMS list) as part of the risk management system, broken down into around 10 risk areas.

<u>Risk analysis:</u> In a standardized process, that is accompanied by our auditor, the risk managers report on the current status of material risks to the risk management team. Based on the RMS list, the risk managers review the evaluation of all existing risks in their respective areas of responsibility and add new risks if necessary. The risk management team revises the RMS list accordingly and makes it available to the risk managers. In addition, the risk management team requests quarterly updates from the divisional managers. Ad hoc risks and losses that have occurred are communicated immediately if they are urgent.

<u>Risk assessment:</u> Risks, including climate-related risks, are assessed according to the two criteria of *probability of occurrence* and *amount of damage*. The probability of occurrence indicates how likely it is that the damaging event will occur. The amount of damage indicates the impact that is to be expected if the damaging event occurs. The amount of damage shall be assessed as quantitatively as possible, and shall be based on the estimated loss of profit. Four levels have been defined for both criteria.

Probability of occurence

The damaging event occurs…

- … at least once in every two years.
- … once in two to 10 years.
- … once in 10 to 100 years.
- … once in more than 100 years.

Amount of damage

The amount of damage is…

- … less than 1 million Euro.
- … between 1 and 10 million Euro.
- … between 10 and 25 million Euro.
- … more than 25 million Euro.

Apart from these two criteria, the identified risks are categorized into risk classes according to their materiality. Risks with an amount of damage of less than 1 million Euro and a probability of occurrence of once in more than 100 years are considered *insignificant risks*. They are generally accepted and not pursued further. In the case of *significant risks that threaten the company's existence*, the amount of damage is estimated with at least 1 million Euro and it is assumed that they will occur more than once in more than 100 years. Countermeasures are defined for these risks and regular reviews are carried out. Risk managers also have the option of emphasizing certain risks by assigning them priority 1. This rating is based on the amount of damage, the probability of occurrence and the assessment of the risk manager. *Priority 1 risks* are listed and tracked or managed separately.

Risk management: Each risk identified is assigned to a risk owner – usually the employee responsible for the subject matter – who assesses the risk together with the risk managers and defines appropriate countermeasures. Risk mitigation or avoidance measures are listed for each identified risk and are regularly discussed with the responsible managers, taking into account early warning indicators. Together with the risk managers, the risk owners monitor compliance with the measures and their effectiveness.

Risk communication: Individual risks from the risk list are combined into risk groups. In our Annual Report, the risk assessment for these risk groups is shown as an overall assessment of the individual risks. Depending on the estimated probability of occurrence and the estimated amount of damage, the risks are classified according to a matrix and rated as "very low", "low", "low to medium", "medium", "medium to high", "high" and "very high".

Sustainability strategy	ESG/Sustainability strategy
ESG policies	Environmental protection and management
	Occupational health and safety
	Compliance management system (CMS)
	Quality and crisis management
Certificates	Quality Management System Certificate IATF 16949:2016
Additional documents	„Opportunities and risks“ in the Annual Report