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PROCEDURE FOR RISK MANAGEMENT MIDSONA GROUP



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1 BACKGROUND AND PURPOSE

- 1.1 The purpose of this procedure (the "**Procedure**") is to describe how Midsona and its subsidiaries (the "**Group**") works with risk management. A common language regarding risk is a prerequisite for an efficient risk management process and creates a mutual understanding of the term, which facilitates the aggregation and comparison of risks throughout the organization. Midsona has adopted COSO's definition of risk: "Any future event that threatens the organization's ability to achieve its vision and long-term goals."
- 1.2 The risk management process also includes the identification and assessment of environmental, social and governance (ESG)-related financial risks, according to Midsona's Double Materiality Assessment (DMA), ensuring alignment with the European Sustainability Reporting Standards (ESRS).

2 SCOPE

This Procedure sets the minimum requirements related to risk management for the Group.

3 OWNER AND APPROVER

3.1 Authorized approver

The Group Management is the authorized approver of this Procedure. Exceptions to this Procedure are not allowed, unless otherwise approved by authorized approver.

3.2 Appointed owner

Director Legal is the appointed owner of this Procedure.

3.3 Audience

This Procedure applies to all entities within the Group.

3.4 Reporting

The Director Legal shall report annually to the Board of Directors on the Group's consolidated risk assessment, significant risk exposures, and the



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overall effectiveness of the risk management framework. Serious or emerging risks shall be reported to the Board without delay.

4 MONITORING OF COMPLIANCE

- 4.1 Implementation and compliance with this Procedure are ensured through follow-up by Internal Control functions for Financial and Sustainability reporting.
- 4.2 Financial Internal Control is responsible for overseeing the effectiveness of control activities within financial and operational areas, ensuring that identified risks are appropriately managed and mitigated.
- 4.3 Sustainability Internal Control ensures that ESG-related processes, data, and disclosures, including those arising from the Double Materiality Assessment (DMA) and sustainability reporting under ESRS, are accurate, reliable, and aligned with Group policies and external requirements

5 ROLES AND RESPONSIBILITIES

5.1 Director Legal

The Director Legal has responsibility under this Procedure for:

- i. Ensuring that this Procedure is updated
- ii. Providing relevant support and advice in relation to this Procedure.
- iii. Monitoring compliance with this Procedure;
- iv. Reporting to the Board of Directors on compliance with this Procedure;
- v. Maintaining the risk register.
- vi. Collaborate with the Sustainability function to ensure ESG related financial risks, reported in the risk register, are disclosed in the DMA results.

5.2 Division Directors

Each Division Director has the responsibility under this Procedure



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- i. to ensure the communication, training and implementation of this Procedure in their relevant business operations.
- ii. to ensure sufficient governance and resources to oversee and safeguard compliance to this Procedure
- iii. to ensure that ESG-related risks are synchronised with the DMA.

5.3 **Head of Group functions**

Each head of a Group function has the responsibility under this Procedure

- iv. to ensure the communication, training and implementation of this Procedure in their relevant business operations.
- v. to ensure sufficient governance and resources to oversee and safeguard compliance to this Procedure.
- vi. Ensure that ESG-related risks are synchronised with the DMA.

5.4 **Risk Owner**

The Risk Owner (as noted in the Risk Register) is responsible for ensuring on a daily basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective. If a control or procedure is not adequate and effective in treating the risk, the Risk Owner should report this, with a recommendation for an alternative risk treatment, to the Risk Manager for escalation to the Chief Executive Officer and ultimately approval by the Board of directors.

5.5 **General responsibilities**

5.5.1 Every Midsona staff member is responsible for effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

5.5.2 Where there is legislation in place for the management of specific risks (such as Health and Safety) this Procedure does not relieve Midsona of its



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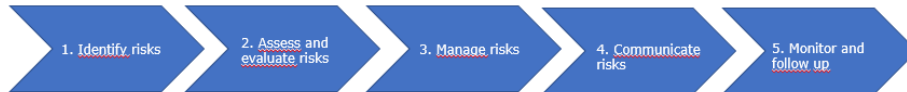
responsibility to comply with that legislation. Managers are accountable for strategic risk management within areas under their control, including the communication and training of the risk management process to staff.

6 PROCEDURE

6.1 Summary of procedure

6.1.1 Effective risk management supports management efforts to identify, measure, respond to, monitor, and report risks that affect the achievement of Midsona’s strategic, operational and financial objectives. Midsona has adopted a systematic and integrated approach and management of risks which applies throughout the Group.

6.1.2 Key elements of Midsona’s Risk Management Process



6.2 Risk Management Process

6.2.1 The risk management system is dynamic and is designed to adapt to Midsona’s developments and any changes in the risk profile over time. The risk management system is based on a structured and systematic process which takes into account Midsona’s external and internal risks.

6.2.2 Midsona’s DMA process forms an integral part of the Group’s overall risk management process, where the assessment of ESG-related financial risks is integrated in the Group’s risk management system. It provides a structured identification and evaluation of ESG-related risks across Midsona’s value chain, in line with ESRS 2 IRO-1, and ensures that material ESG issues are escalated and monitored through the Group’s risk register.

6.2.3 The main elements of the risk management process are as follows:

- i. **Risk identification** – Identify risks within respective risk category in order to identify the most critical risks which can affect the group’s business plan or business goals.

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- ii. **Risk assessment and evaluation** – Analysis of the possibility for each risk and how great of an influence they would have on the business goals. After that, an assessment is made of different control measures that are already in place to handle the risks, such as procedures, instructions, monitoring analyses and detailed control activities.
- iii. **Record risks** – Based on the risk analysis, a register is created over which risks are prioritised for action, which are to be monitored, and which are not essential. The register should simplify the concretisation, measurement and follow-up of goals, risks and action plans.
- iv. **Manage and treat risks** – develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
- v. **Communication** – communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- vi. **Monitor and follow up** – it is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement.

6.3 Risk management methodology

6.3.1 The methodology adopted by Midsona for managing and treating risks can be identified as follows.

- a) Document a risk management framework.
- b) Identify the general activities involved in running the business, i.e. risk categories.
- c) Identify the risks involved in undertaking the specific business activity by asking the questions:
 - i. What could happen?
 - ii. How and why could it happen?



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- d) Rate the likelihood of the business activity not being properly performed. Likelihood is assessed to the assumption that there are no existing risk management and compliance processes in place. It is assessed as either **Almost Certain, Likely, Possible, Unlikely** and **Rare**.
 - e) Rate the consequence of not properly performing the business activity – damage can be quantified in terms of financial loss to Midsona. It is assessed as **Catastrophic, Major, Severe, Serious** and **Minor**.
 - f) Assign the inherent risk rating based on a combination of the risk rating. Low and medium risks may be considered acceptable and therefore minimal further work on these risks may be required. The rating may be assessed as **Critical, High, Significant, Medium** and **Low**.
 - g) Decide whether a control (e.g. policy, procedure, checklist, reporting mechanism or account reconciliation) is necessary given the level of risk, based on likelihood and consequences and if so, identify control.
 - h) Assess whether the existing controls are adequate and allocate the responsibility of monitoring the control to treat the risk. This will integrate risk management and compliance to daily activities and facilitate appropriate control of operational risk.
 - i) Raise awareness about managing risks across the organization through communicating the Procedure and responsibilities.
 - j) Routinely monitor and review ongoing risks so risks can be effectively managed.
- 6.4 At least once per year, before the end of Q2, a comprehensive risk assessment according to the above methodology must be carried out within each Division and at Group level, covering all Group functions. All risks related to the Group’s strategic, operational, financial and ESG objectives shall be identified and evaluated. The outcome of this annual risk assessment shall be reported to the Director Legal, who consolidates the results and presents them to the Chief Executive Officer and the Board of Directors.



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6.5 The Risk Assessment Matrix and Risk Register format are shown in **Appendix A**.