The OVAL, 3 Krinou Street
8th Floor
Agios Athanasios
4103, Limassol, Cyprus
www.ecocarbonltd.com

RISK MANAGEMENT POLICY

ECOCARBON LIMITED
(COMPANY)

V.1.0.

1. Scope

The purpose of this Risk Management Policy is to provide guidance regarding the management of risk to support the achievement of the Company's corporate, business and other objectives, protect staff and business assets and ensure financial sustainability. This document provides guidelines on managing various risks. This Policy applies to all Company's activities. It forms part of the Company's governance framework and is applies to all employees, management, stakeholders also as business partners and any third party.

This Policy establishes the process for the management of risks which are or may be faced by the Company. The aim of risk management is to maximise opportunities in all Company's activities and to minimise adversity.

The Policy applies to all activities and processes associated with the normal operation of the Company.

It is the responsibility of all Board members, management and employees to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

2. Terms and definitions

For the purposes of this document, the following terms and definitions apply:

2.1 **Risk** is an effect of uncertainty on objectives that may prevent the Company from achieving of its business and other goals. Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood.

2.2 **Risk management** is a set of coordinated activities to direct and control the actions of the Company with regard to risk including identification, analysis, treatment and monitoring.

2.3 **Stakeholder** is a person or organization that can affect, be affected by, or perceive themselves to be affected by the Company's decision or activity.

2.4 **Risk source** is an element which alone or in combination has the potential to give rise to risk.

2.5 **Event** is an occurrence or change of a particular set of circumstances or something that is expected but which does not happen, or something that is not expected but which does happen. An event can have different causes and consequences, also it can be a risk source.

2.6 **Likelihood** is a chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically (such as a probability or a frequency over a given time period).

2.7 **Consequence** is the outcome of an event, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.

2.8 **Risk Assessment** is the process of evaluating and comparing the level of risk against

predetermined acceptable levels of risk.

2.9 **Control** - measure that maintains and/or modifies risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk.

3. Principles

Risk management is an integral part of standard business practice and is the responsibility of everyone, from the Board of Directors to each individual employee. Everybody is responsible for understanding the risks in their area of operation and for managing them as an integral part of their delegated duties, skills and responsibilities.

Risk management of the Company is based on the following principles:

- the Company manages its significant risks through optimization of the risk/return ratio cutting across all business areas, in light of the value creation and harmless operation;
- the Company seeks to ensure that risk management constantly improves in order to reflect the Company's changing needs over time and to remain compliant with best international risk management practices;
- the Company promotes timely and systematic risk management that is fully integrated in its most important business and decision-making processes, particularly as an element of strategic development, investment decisions, the business plan and operations management, in order to ensure stability of results and the development of optimized response capabilities and changes in context and opportunity. Assessment of risks and the adoption of measures for their management and control are based on the availability of better information on the date of the decision-making process;
- the Company's risk management is transparent and involves all internal and external Stakeholders, to ensure input into decisions taken from all levels of responsibility in the Company, ensuring compliance and building a climate of trust;
- Local and/or functional risk management policies and procedures will be consistent with this corporate policy. Furthermore, all local and/or functional policies and procedures shall facilitate the aggregation, consolidation and revision at corporate level of all significant risks;
- The executive management bodies of the Company are responsible for establishing the risk tolerance applicable to their scale, business and functions, always in line with the risk profile defined for the Company by the Board of Directors at strategic level, which expresses the appetite for risk, and at tactical level, by setting overall aggregate risk tolerance levels.

4. Relationship with other processes

In order to maximize risk management benefits and opportunities, the Risk management needs to be integrated with existing business processes of the Company.

Some of the key business processes with which risk alignment is necessary are:

- Business planning (including budget): identifying risk during the business planning process allows us to set realistic delivery timelines for strategies/ activities or to choose to remove a strategy/ activity if the associated risks are too high or unmanageable. The impact of changing risk levels over the year can then be mapped to the relevant objective, enabling us to conduct more timely expectation management with key stakeholders.
- Performance Management: all risk responsibilities, whether a general responsibility to use the risk management process or specific responsibilities such as risk ownership or implementation of risk treatments should be included within the relevant individuals' performance plans (KPIs).

- Internal Audit: Internal Audit reviews the effectiveness of controls. Due to its limited resources, alignment between the Internal Audit function and that of the controls within the Risk Management process is critical. With risk management in place, the resources of Internal Audit will be optimized by aligning and focusing their reviews on business activities or processes that are most important to the organization or where the critical risks exist or could occur.

5. Key Risk Management Steps

5.1 Risk management is a continual process that involves review and update of risk profiles for the Company as a whole and includes a review for each individual division in a “top-down” and a ”bottom-up” approach to risk management. This process is formally conducted across the entire Company on an annual basis during the corporate and business planning process, however, risk management is also assessed throughout the year, in monthly reports, while making business decisions and when conducting day-to-day management.

5.2 The processes of risk management are:

1. Internal environment assessment
2. Objective/strategy setting
3. Event identification
4. Risk assessment
5. Risk response
6. Control activities
7. Communication and information
8. Monitoring

6. Risk Assessment

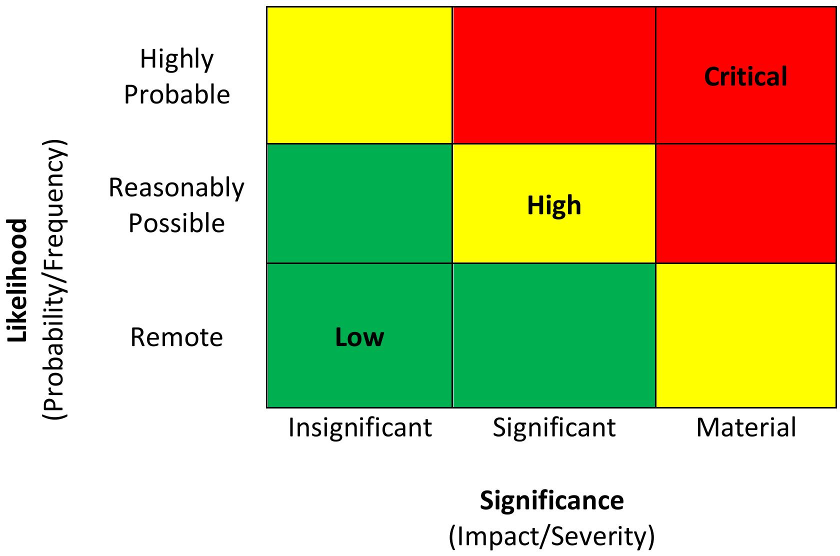
6.1 Once the internal environment is assessed, objectives and strategy are set and the risks are identified, each potential risk shall be analysed based on an assessment of its consequences and likelihood.

6.2 Consequence is measured according to the magnitude of a loss, if the risk comes to pass.

The following questions shall be answered:

- How bad are the scenarios?
- How significant is the potential loss?
- How damaging is this to the image of the Company?
- Does this warrant management interest or attention?

6.3 After each potential risk event are measured according to its likelihood and consequence, those involve in risk assessment will need to plot those risks into the Risk Assessment Matrix as shown below:



<u>The Company's Risk Assessment Matrix shall be protected as a highly confidential information and may not be distributed outside of the Company to the third parties.</u>

6.4 Those risk falling under the red colored grids are the Company's Critical risks, the yellow ones are the High risks and those that are in the green colored grids are the Low risks.

6.5 Critical risks are classified as primary risks and are rated "High" priority because they threaten the achievement of business objectives.

6.6 High risks are second priority next to Critical risks.

6.7 Low risks are both unlikely to occur and their impact is not that significant.

6.8 The Company needs to prioritize its risks in order to

- determine which risks are more important or critical to the Company
- determine which risks deserve more attention;
- define the level of losses and damages that could be brought to the Company by those risks;
- determine the actions plan to mitigate the risks and to provide the effective response to their impact.

6.9 After risks have been identified, measured and prioritized, the next step is to consider risk response options that could bring the level of the risk impact to a desired level acceptable to management and the Board of Directors.

7. Risk Response

7.1 Risk response involves examining possible treatment options to determine the most appropriate action for managing a risk. Management actions or risk responses are required where the current controls are not managing the risk within defined risk tolerance levels. Response could involve improving existing controls and implementing additional controls.

7.2 Risk response also involves:

- Identifying controls currently in place to manage the risk by either reducing the consequence or likelihood of the risk;
- Assessing the effectiveness of current controls;
- Identifying the likelihood of the risk occurring;
- Identifying the potential consequence or impact that would result if the risk was to occur.

7.3 Possible risk treatment options include:

- Take – do nothing, retain the risk and accept impact of the risk;
- Transfer – transfer risk ownership and liability to a 3rd party (e.g. insurance, outsourcing, hedging, etc.);
- Terminate - change business process or objective so as to avoid the risk (e.g. eliminate, prohibit, divest, etc.);
- Treat - undertake actions aimed at reducing the cause and impact of the risk (e.g. process or control improvement, re-organization, re-design, etc.)

7.4 When determining the preferred risk response option, consideration should be given to the cost of the treatment as compared to the likely risk reduction that will result (cost benefit analysis).

On selecting the preferred treatment option, the following should occur:

- The cost of any actions should be incorporated into the relevant budget planning process;
- A responsible person should be identified for delivery of the action, with this expectation being communicated to them;
- A realistic due date should be set;
- Performance measures should be determined.

8. Communication and Information

8.1 Risk management reporting is a key element of the 'Monitor and Review' phase of the risk management process, and needs to occur at each step of the process.

8.2 The risk management reporting process supports a formalized, structured and comprehensive approach of the company to monitor and review of its risks, thereby enhancing its risk management process.

9. Monitoring and Reviewing Risk

9.1 Risk information requires regular monitoring and review to ensure currency and being up-to-date. The environment in which the Company operates is constantly changing and so therefore are the risks. If risk information is inaccurate, the Company may make poor decisions that could otherwise have been avoided.

Therefore Risk Owners and Risk Management Team have key risk and control review and update responsibilities to ensure continued currency of information pertaining to their particular risks. In addition, on an annual basis, the entire risk register will be reviewed, with review participation of Senior Management and the board as necessary.

9.2 It is also important for the effectiveness of the risk management framework to be monitored and reviewed. This framework drives the extent to which risks will be adequately managed throughout the Company. Monitoring implementation of the Risk Management Strategy is one available monitoring mechanism.

9.3 The risk management framework itself will be reviewed annually, with results being reported to the Risk Management Committee, Internal Audit and the Board of Directors. As risk management developments are constantly occurring, this review mechanism will provide the Company with information on current risk management developments, facilitating us making continuous risk management improvements.

10. Recording and reporting

10.1 The risk management process and its outcomes should be documented and reported through appropriate mechanisms. Recording and reporting aims to:

- communicate risk management activities and outcomes across the organization;
- provide information for decision-making;
- improve risk management activities;
- assist interaction with stakeholders, including those with responsibility and accountability for risk management activities.

10.2 Decisions concerning the creation, retention and handling of documented information should take into account, but not be limited to: their use, information sensitivity and the external and internal context.

10.3 Reporting is an integral part of the Company's governance and should enhance the quality of dialogue with stakeholders and support top management and oversight bodies in meeting their responsibilities. Factors to consider for reporting include, but are not limited to:

- differing stakeholders and their specific information needs and requirements;
- cost, frequency and timeliness of reporting;
- method of reporting;
- relevance of information to organizational objectives and decision-making.