

Approved by
the Supervisory Board of JSC RC NRC
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RISK MANAGEMENT POLICY
of JSC RC NRC

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1. GENERAL

- 1.1. The Risk Management Policy (hereinafter - the Policy) of Joint Stock Company Reinsurance Company NRC (hereinafter - the Company) determines common approaches to management of risks arising in the process of achieving by the Company its objectives and, in particular, fulfilling the functions entrusted by Law of the Russian Federation No. 4015-1 “On Organizing Insurance Activities in the Russian Federation” dated 27.11.1992.
- 1.2. The Policy determines the concept of integrated risk management, including the goal and objectives, principles of risk management; risk classification; risk management system elements, including key processes and organizational structure of risk management.
- 1.3. This Policy has been developed based on international standards and practices in risk management and meets the requirements of Russian legislation.
- 1.4. This Policy is binding on all business units of the Company.

2. GOALS AND OBJECTIVES OF THE COMPANY’S RISK MANAGEMENT SYSTEM

- 2.1. Risk management activities are an integral part of corporate governance aimed at achieving the Company’s strategic goals and performing the functions entrusted by legislation, ensuring the growth of the Company’s value while respecting the balance of interests of all parties concerned.
- 2.2. Risk management activities are systematic, integrated into strategic and operational management at all levels, covering all departments and all employees of the Company in the performance of their functions within any business processes.
- 2.3. The purpose of building the Company’s risk management system is to ensure the effective operation of the Company in conditions of uncertainty. The key goals of the Company in the field of risk management are the following:
 - ensuring sustainable development of the Company within the Company’s strategy;
 - ensuring and protecting the interests of shareholders, creditors, customers of the Company and other persons, taking into account that these persons are interested in ensuring the risks assumed by the Company do not create a threat to the existence of the Company;
 - timely adaptation of the Company to changes in the external and internal environment;
 - increasing the effectiveness of strategic planning and capital management, taking into account the level of risks assumed, and, as a result, increasing the market value of the Company.
- 2.4. The goal of risk management is achieved by implementing the following main objectives:
 - development and implementation of a set of measures aimed at reducing the negative impact of uncertainty on the Company’s activities to acceptable levels;
 - development and implementation of a set of measures aimed at informational and analytical support for the processes of making managerial decisions and planning the Company’s activities;

- ensuring the compliance of the Company's risk management system with the state of the internal and external environment and its adequacy to the organizational structure, taking into account the necessary adaptation to changes in the external and internal environment;
- development of risk culture in the Company.

3. RISK MANAGEMENT PRINCIPLES

3.1. The Company's risk management system meets the following basic principles:

- 3.1.1. risk awareness - the risk management process affects every employee of the Company. Decision-making on any operation shall be made only after a comprehensive analysis of risks that result from such operation, which implies preliminary identification and assessment of the relevant risks;
- 3.1.2. targeted responsibility - the Company's management, managers and employees of business units are responsible for managing risks of the Company in accordance with the powers granted;
- 3.1.3. integration into business processes - risk management is an integral part of the Company's business processes, including managerial decision-making, both at the strategy level and at the operational level;
- 3.1.4. provision of "three lines of protection" - risk management is carried out at three levels:
 - risk-taking - at the level of risk owners, directly executing business processes and managing the associated risks;
 - risk management - at the level of units performing methodological and control functions for risk management;
 - audit - at the level of a unit performing an independent evaluation of the risk management system (internal audit).

In cases where any of the above-mentioned "lines of protection" is combined within one organizational unit, the Company shall take measures aimed at preventing a possible conflict of interests.
- 3.1.5. enhancement of activities - the Company constantly enhances the risk management system, including information and technical support, procedures and methods, taking into account changes in the external and internal environment, innovations in the world practice of risk management;
- 3.1.6. continuity and progressivity - risk management is a permanently functioning cyclical process, covering all units of the Company;
- 3.1.7. materiality and expediency - decision-making on the response to risks is carried out with account taken of the evaluation of the effectiveness of decisions - based on the level of risks and taking into account the cost-benefit ratio from the implementation of risk response measures.

4. RISK CLASSIFICATION

4.1. The Company's activities involve various types of risks, the implementation of which can hinder the achievement of goals and the performance of functions of the Company. The Company is exposed to the following main types of risks:

- insurance risks;
- financial (investment) risks;
- non-financial risks.

4.2. Insurance risks - risks directly arising in the insurance process:

- risks of premiums and provisions - risks of losses or adverse changes in the value of insurance liabilities due to uncertainty regarding the time of occurrence, frequency and severity of insured events, and the amount and timing of final payments;
- risk of insurance portfolio concentration - risk of loss or adverse change in the value of insurance liabilities associated with the simultaneous occurrence of insured events in respect of a number of large individual insured objects and (or) risks.
- catastrophe risk - risk of loss or adverse change in the value of insurance liabilities associated with the simultaneous occurrence of many insured events as a result of natural disasters and (or) man-made disasters.

4.3. Financial risks - risks of losses arising from unfavorable changes in the value of assets and liabilities of the Company:

- market risks - loss risks associated with changes in market prices or volatility of prices from expected values: currency risk, equity risk, interest rate risk, spread risk, property value risk, etc.;
- credit risk - risk of losses associated with non-fulfillment by counterparties of their obligations to the Company;
- liquidity risk - risk of additional losses arising from the rapid sale of assets, if necessary, due to insufficient liquidity of the Company's assets;
- concentration risk - loss risk associated with insufficient diversification of the Company's assets and(or) liabilities.

4.4. Non-financial risks - other risks arising as a result of the Company's activities, as a result of the impact of external and internal factors:

- operational risk - risk of losses or other negative consequences due to business process violations, insufficient efficiency of business processes and organizational structure of the Company, actions (inaction) of the Company's employees, malfunctions or insufficient functionality of IT systems and other technological systems, as well as due to influence of external factors, including deliberate acts of third parties, etc.
- strategic risk - risk of failure to achieve the objectives of the activity, improper performance of the functions of the Company due to errors (shortcomings) in making decisions that determine the strategy of the Company, or their untimely adoption;
- reputation risk - risk of the Company's losses due to the formation of a negative image of the financial stability of the Company, the quality of the services provided, or the nature of the activities as a whole.

- country/political risk - risk of undesirable consequences, which can damage the interests of the Company, due to changes in various operating conditions, including economic and political conditions, in the Russian Federation.

5. RISK MANAGEMENT SYSTEM ELEMENTS

5.1. For effective functioning of the risk management system the Company shall ensure the following elements of the risk management system:

- risk management processes - the Company organizes effective processes for identifying, analyzing, evaluating, controlling risks and risk management methods, as well as reporting on risks;
- organizational structure of the risk management system - the Company forms a structure ensuring the absence of conflicts of interest and the independence of units performing analysis, evaluation and control of risks from units performing operations subject to risks;
- risk management methodology - the Company ensures the development of a unified system of methodological support and validation to ensure the accuracy of assessments and the reliability of management processes;
- risk culture - the Company seeks to ensure a pervasive understanding that risk management is a universal task and responsibility;
- resources - the Company provides the necessary personnel, material and information resources for the effective functioning of the risk management system.

5.2. A necessary condition for the effective functioning of the Company's risk management system is its periodic review, taking into account:

- changes in the internal and external environment;
- changes in the Company's approaches to risk management, the results of the correlation of these approaches with the international best theory and practice in the field of risk management;
- results of monitoring and independent evaluation of the Company's risk management system.

6. RISK MANAGEMENT PROCESSES

6.1. The risk management process of the Company is an integral part of the company's management system, part of the culture and practice of the Company. The Company seeks to match the risk management processes to the current state of business processes.

6.2. The risk management system operates on the basis of a repeating cycle of the risk management process:

- risk identification;
- risk assessment;
- risk response;
- risk control;

- risk reporting;
 - monitoring.
- 6.3. Risk identification is the process of detection, recognition and description of risks, including the recognition of risk sources, events, their causes and possible consequences. The Company develops policies and procedures for ensuring identification, measurement and reporting for all significant risks.
- 6.4. Risk assessment is conducted by two main parameters - the probability of its occurrence and the degree of potential damage. Assessment of risk parameters can be qualitative or quantitative. The Company seeks to develop and apply primarily quantitative methods of risk assessment.
- 6.5. The Company determines the acceptable level of risks on the basis of:
- well-defined parameters and criteria for appetite for the Company's risk - the total level of risks that the Company is ready to assume, taking into account the likelihood of possible losses leading to loss of the Company's financial stability;
 - indicators of the Company's overall risk obtained through risk aggregation - requirements for capital adequacy;
 - procedures for the distribution of overall risk between different types of risk.
- 6.6. Risk response involves comparing the risk levels obtained as a result of risk assessment with the acceptable level, their prioritizing (ranking) and subsequent adoption of a decision on the method, measures of response to risks and the necessary control procedures. The main risk response methods include:
- risk taking;
 - risk increase to use an opportunity;
 - risk limitation (minimization);
 - risk transfer;
 - risk avoidance (aversion).
- 6.7. Simultaneously with the adoption of decisions on risk response measures, the Company develops control procedures to ensure the proper implementation of the planned measures and (or) the analysis of their effectiveness, as well as methods for monitoring their implementation and necessary reporting forms.
- 6.8. With respect to risks, the implementation of which is likely to cause disruption of the Company's critical business processes, a set of measures to ensure business continuity is implemented.
- 6.9. Communications and consultations form an integral part of the Company's entire risk management cycle.
- 6.10. Risk management activities are traceable. The results of implementation of risk management processes of the Company are documented.

7. ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM

7.1. The management bodies, units and employees of the Company participating in the risk management process:

- Supervisory Board;
- Risk Committee of the Supervisory Board;
- Reinsurance Board;
- Board of Directors;
- President-Chairman of the Board of Directors;
- Company's Risk Committee;
- Actuarial Settlement and Risk Management Department;
- Internal Auditor;
- Business units of the Company.

7.2. The Supervisory Board of the Company:

- determines priority areas of the Company's activity in the field of insurance, financial and non-financial risks;
- creates conditions for the formation of a risk management system and exercises overall control of its effectiveness;
- sets the parameters of the appetite for risk of the Company;
- approves the Risk Management Policy;
- approves the Regulations on the Assessment of Insurance Risks and the Management of Insurance Risks of the Company;

7.3. The Risk Committee of the Supervisory Board develops recommendations on the Company's risk and capital management strategy, as well as on the management of the most significant insurance, financial and non-financial risks, as well as other related powers, in accordance with the Regulations on the Risk Committee of the Company's Supervisory Board.

7.4. The Reinsurance Board reviews preliminarily the Regulations on the Assessment of Insurance Risks and the Management of Insurance Risks of the Company.

7.5. The Board of Directors

- reviews and approves internal regulatory documents of the Company in the field of risk management;
- takes decisions on the organization and enhancement of the risk management system;

7.6. The President-Chairman of the Board of Directors exercises overall management of the risk management process and is responsible for the effectiveness of the Company's risk management process.

7.7. The Company's Risk Committee:

- reviews regularly the Company's risk management issues and its development;
- reviews regularly reports on the Company's risks;
- prepares recommendations and draft decisions on risk management;
- reviews and prepares draft regulatory documents of the risk management system;
- supervises the activities of the units within the risk management system.

7.8. The Actuarial Settlement and Risk Management Department coordinates the risk management process in terms of:

- development of the Company's risk management policy;
- development or participation in the development of strategic, methodological and organizational documents related to risk management in the Company;
- organization of the process of identification, assessment and monitoring of risks;
- development of proposals and recommendations for minimizing risks;
- risk reporting;
- preparation of summary information on the risk management process;
- control over the timely execution of duties by participants of the risk management process.

7.9. The competence of the Internal Auditor includes the assessment of the effectiveness of risk management, based on judgments following the assessment of the following categories: the objectives of the Company are consistent with its mission; significant risks are identified and assessed; risk response measures allowing to keep risks within the appetite for risk of the Company are selected.

7.10. Other business units participate in the risk management process within the scope of their competence, as defined by the regulations on units and other internal documents of the Company, as well as:

- provide the Actuarial Settlement and Risk Management Department with the information necessary to carry out their functions in the field of risk management;
- execute decisions of the Company's management bodies on risk management;
- bear responsibility for the effective management of risks inherent in the processes within the area of liability of the unit;
- bear responsibility for identifying and controlling the level of operational risk within the area of liability of the unit.

8. STRUCTURE OF REGULATORY DOCUMENTS ON RISK MANAGEMENT

8.1. The regulatory documents on the Company's risk management is included in the Risk Management Code (hereinafter - the Code). The Code is an evolving document, replenished as the business processes of the Company are formalized, and as a result of practices on the associated risks management.

8.2. The Company's Risk Management Code is a hierarchical document and must consist of at least the following components:

- Risk Management Policy - a top-level document that describes the principles and requirements for the risk management system;
- Risk Appetite Declaration - a top-level document that formulates the Company's approach to determining the aggregate level of acceptable risk;

- Risk management methodology - a top-level document that describes the general methodological principles, methods and tools used by the Company for risk management, requirements for subordinate documents.
 - Regulations on Risk Identification and Assessment - a subordinate document containing requirements for processes for identifying and assessing risks, information submission frequency, formats, etc.
 - Regulations on individual risk management - subordinate documents describing risk indicators, methods for assessing risk levels, decision-making processes for risk response, requirements for risk control procedures, format and content of risk reporting, etc.
 - Regulations on the Capital Adequacy Assessment - a subordinate document describing the methodology, assumptions, models, data, processes of calculating own capital and its allocating to certain types of activities.
 - Regulations on ensuring continuity of activities on critical risks - subordinate documents containing a description of critical business processes; a list of possible emergencies that pose a critical risk to the Company; a procedure for identifying and analyzing factors causing emergencies that can lead to the suspension of critical processes; a list of activities aimed at minimizing the likelihood of occurrence and the possible consequences of these events, as well as response measures in the event of their occurrence.
 - Regulations of Risk Reporting - a subordinate document containing a list of risk reports, submission deadlines and formation processes.
 - Risk Register - a working document containing the current list of risks to which the Company is exposed, indicating all risk attributes.
- 8.3. The components mentioned above may have, in turn, their own subordinate documents (methodologies, regulations, etc.).

9. FINAL PROVISIONS

This Policy is approved by the Company's Supervisory Board and is subject to review as the requirements of the state regulatory authorities change and the new effective methods and tools for risk management in accordance with best international practice appear.

ANNEX.

GLOSSARY

Business process. A set of interrelated successive actions performed by the Company's business units and aimed at ensuring the functions and objectives of the Company's activities.

Validation. In the field of the Company's risk management this term can be used in the following meanings:

- data validation - the process of analyzing data on risks or risk events for their completeness and adequacy on an aggregated basis;
- validation of risk assessment models - the process of independent testing and assessment of the risk assessment models used by the Company to confirm their declared characteristics and the compliance of these models with the purposes of their development and application.

Verification. The process of subsequent check for the completeness and correctness of data with respect to a specific risk of the Company or a risk event.

Probability. Possibility of risk occurrence. Probability can be estimated quantitatively (including in percentage, indicating the frequency of risk occurrence) or qualitatively.

Risk owner. Management, joint body, business unit, authorized employee of the Company that, in accordance with regulatory and other acts of the Company, are vested with authority and bear responsibility for the Company's risk management.

External environment. A set of external conditions (economic, legal, market, social and cultural, political and other), in which the Company seeks to achieve the goals of its activities and fulfill its functions.

Internal environment. A set of internal conditions (goals, strategies, organizational structure, decision-making processes, internal relationships, IT systems and others) aimed at ensuring that the Company achieves the objectives of its activities and performs its functions.

Impact. The degree of influence of a risk event on the achievement of the objectives of the activities and the performance of the functions of the Company. Impact can be assessed by the various negative consequences for the Company that may arise from the occurrence of a risk.

Acceptable risk level. The level of risk that the Company is ready to assume, ensuring the achievement of the objectives of its activities and the performance of its functions.

Party concerned. Management, joint bodies, structural business units, authorized employees of the Company, as well as external organizations and persons that may influence or be exposed to the risks of the Company.

Risk identification. The process of identifying, listing and describing the risks of the Company.

Risk map. A way of visual representation of the Company's risk profile, which allows for risk prioritizing (ranking). As a rule, this is a two-dimensional representation of risks in the matrix (5x5, 4x4 or others), where one axis is the impact, and the other is the probability.

Communications and consultations. The process of recording and exchanging information between the risk management entities of the Company in the course of risk management processes.

Risk criteria. Criteria as per which the risk assessment and its comparison with the acceptable level are carried out.

The probability, impact, rate of activation of the risk event, vulnerability and other criteria that can be selected taking into account the external and internal environment and the requirements of the legislation, regulatory and other acts of the Company may be used as risk criteria.

Critical business processes. Business processes of a financial institution, the suspension of which entails a violation of the proper performance of the activities of the financial institution, its counterparties and (or) its customers, as well as threatens a complete loss of their viability.

Risk management methodology. A set of methods, means and tools used to manage the Company's risks.

Risk assessment model. An economic and mathematical model, including description of assessment methods, assumptions, conditions and limitations of its application, allowing to evaluate and predict the characteristics of the modeled risk.

Risk monitoring. The process of supervision of the Company's risks, including their level, its compliance with the acceptable level, the implementation of risk response measures and control procedures, the effectiveness of these measures and procedures, as well as the analysis of the external environment.

Monitoring of the risk management system. Supervision of the functioning of the Company's risk management system in order to obtain information on the availability and application of the risk management methods and procedures established in the Company.

Uncertainty. The inability to know anything in advance in the absence or lack of information.

Continuity of activity. The Company's ability to plan and apply measures aimed at ensuring the smooth operation (effective recovery) of key business processes of the Company.

Risk object. Business process of the Company, tangible or intangible asset of the Company which is exposed to risk.

Risk limitation (level reduction, minimization). A way of responding to risk, in which measures are implemented to reduce the probability and (or) the impact of the Company's risk in order to bring its level in line with the acceptable level.

Risk description. Structured representation of the Company's risk elements.

Residual risk. The Company's risk, taking into account the existing response measures and control procedures.

Organizational structure of risk management. A set of the Company's approaches to the organization of risk management (risk management model), the subjects of risk management, their powers and interrelations.

Risk reporting. Structured form of submission of information on the Company's risks and their management to internal or external users of the Company.

Risk assessment. The process of determining the level of the Company's risk using the risk criteria established in the Company.

Risk transfer. A way of responding to the Company's risk, in which a decision is made to transfer all or part of the consequences of the risk event to an outside organization (person). The main forms of transfer of the Company's risk are reinsurance and hedging.

Risk management system review. The process of assessing the effectiveness of the Company's risk management system, including the approaches and methodology used to manage the Company's risks, with the introduction of changes (if necessary).

Risk exposure. A possibility of the Company's risk occurrence with respect to a particular Company's risk object.

Consequence. Result of a risk event.

Risk taking. A way of responding to the Company's risk, in which a decision is taken to keep the risk at the existing level and to continue monitoring the risk.

Risk prioritizing (ranking). The process of determining the most significant risks of the Company, taking into account their level.

Inherent risk. The Company's risk before response measures and control procedures.

Cause. A phenomenon, action, directly leading to the Company's risk event.

Risk profile. A set of risks inherent in the Company, the Company's business unit, specific function/area of activities, business process of the Company.

Risk management process. A sequence of actions performed within the Company's risk management activities.

Risk response. The process of making decisions about handling of the Company's risk. Response methods: risk limitation (reduction, minimization), risk transfer, risk financing, risk aversion (risk avoidance), risk taking. Response measures - specific actions within the implementation of these risk response methods.

Risk register. A structured list of data on identified risks of the Company.

Risk. A possibility of the negative impact of uncertainty on the achievement of goals of the activities and the performance of functions of the Company.

Risk appetite. Quantitative and (or) qualitative indicator that determines the acceptable level of the Company's risk.

Risk appetite may be different for various types of risks of the Company, functions/activities and business processes of the Company and can change with changes in the internal and external environment.

Risk culture. Set of values, beliefs, understandings, knowledge, standards of conduct and practices regarding the risks of the Company and their management, shared and accepted by all employees of the Company.

Risk metric. An indicator characterizing the level of the Company's risk.

Risk event. An event that led, could or may lead to negative consequences for achieving the objectives of the activities and performing the functions of the Company. A risk event can also lead to a new uncertainty.

Risk factor (risk source). An activity, phenomenon, circumstance that alone or in combination with others has an internal potential for the emergence or increase of the Company's risk level.

Risk management system. A set of interrelated elements that ensure the implementation of the goals, objectives and principles of the Company's risk management.

Event activation speed. The time from the occurrence of a risk event to the moment when the Company starts feeling its consequences.

Risk management subjects. The Company's management, joint bodies, business units of the Company and their employees carrying out the Company's risk management in accordance with the powers defined by federal laws, regulatory and other acts of the Company.

Risk taxonomy. Categorization providing a systematic approach to the analysis of data on the Company's risks by identifying the types (groups) of risk events used in the Company, the causes and consequences of risks, other categories.

Threat (danger). Source of potential harm.

Risk aversion (risk avoidance). A way of responding to the Company's risk, in which the decision is made to abandon the activities associated with risk.

Risk management. The system process of the development, application and revision of policies, methods, means and tools for risk identification, assessment, risk response and risk monitoring in order to achieve the objectives of the activities and to perform the functions of the Company.

Risk level. The Company's risk exposure determined using risk criteria in accordance with the procedure established by regulatory and other acts of the Company.

Risk financing. A way of responding to the Company's risk, in which a decision is taken to create provisions for the assets (contingent liabilities) of the Company or provisions for covering other losses.

Frequency. The number of events occurred during a certain unit of time. It can be used in the development and use of the risk assessment scale.

Risk assessment scale. A method for determining assessments for various risk criteria (usually probability and impact), which involves selecting an assessment using the established assessment gradation and the corresponding descriptions.

Risk elements. Risk factors (risk sources), risk events, causes and consequences.

Escalation. The process of referring issues related to the Company's risk management for consideration by the Company's management, joint bodies, authorized employees of the Company, having the necessary powers and competence to make a decision.