RISK MANAGEMENT POLICY

PREAMBLE

The Risk is inherent in all administrative and business activities. Risks are such events or the conditions that has a harmful or negative impact on the organizational goal or its business objectives. The exposure to the consequences of uncertainty constitutes a risk. Every member of the Organisation continuously manages risk. The systematic approaches to managing risk have evolved and are now regarded as good management practice. The objective of this policy is to manage the risks involved in all spheres of the activities of the Company to maximize opportunities and minimize the adversity.

Effective risk management requires:
- A strategic focus
- Forward thinking and active approaches to management,
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that mission critical threats are realised.

SCOPE

This Policy Standard sets out the detailed requirements and minimum levels of achievement necessary to implement the risk management elements of the business. This policy facilitates management of risks associated with our activities and minimize the impact of undesired and unexpected events.

Taking and managing appropriate levels of risk is an integral part of all our business activities. Risk Management, performed rigorously and comprehensively, creates stability, indirectly contributes to profit and is a key element of reputation management.

DEFINITIONS

The key definitions for this policy follow:

Risk	:	The chance of something happening that will have an impact on the achievement of the Organisation's objectives. Risk is measured in terms of consequences and likelihood
Risk Assessment	:	The systematic process of identifying and analysing risks, which shall cover Risk Identification and Categorization, Risk Description and Risk Estimation.
Risk Management	:	Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

Risk Management Process	**:**	The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

RISKS AND CONCERNS

1) **Risks associated with Strategy and Competition**

   We operate in a competitive and rapidly changing market and compete with both domestic as well as international Companies in the business of casting/forging. Economics of scale with competitors and unfair competition can affect our operations thereby affecting market share and business.

2) **Risks Factors**

   The objectives of the Company are subject to risks that are external and internal as enumerated below:

   External Risk Factors:
   - Economic Environment and Market conditions
   - Fluctuations in Foreign Exchange
   - Political Environment
   - Competition
   - Revenue Concentration
   - Inflation and Cost structure
   - Technology Obsolescence

   Internal Risk Factors
   - Financial Reporting Risks
   - Contractual Compliance
   - Compliance with Local laws
   - Quality and Project Management
   - Environmental Management
   - Human Resource Management
   - Culture and values

RISK MANAGEMENT POLICY

In order to fulfil the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

a) All business decisions will be made with the prior information and acceptance of risk involved.

b) The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.

c) All employees of the company shall be made aware of risks in their respective domains and their mitigation measures.

d) The risk mitigation measures adopted by the company shall be effective in the long-term and to the extent possible be embedded in the business processes of the company.

e) The risk tolerance levels will be regularly reviewed and decided upon depending on the change in company's strategy.

f) The occurrence, progress and status of all risks will be promptly reported, and appropriate actions be taken thereof.

RISK MANAGEMENT POLICY STATEMENT

The policy statement is as given below:

a) To ensure protection of shareholder value through the establishment of an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.

b) To continually strive towards strengthening the Risk Management System through continuous learning and improvement.

RISK STRATEGY OR MITIGATION OF RISK POLICY

Based on the Risk level determined and reviewed from time to time, the company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

In order to achieve the effective Risk mitigation strategy, following framework shall be used:

a) **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

b) **Risk Transfer:** Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

c) **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss.

d) **Risk Retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default.

This includes risks that are so large or catastrophic that they either cannot be insured against, or the premiums would be infeasible.

RISK MANAGEMENT SYSTEM

As a diversified enterprise, the company has always had a system- based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

a) The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational is specified in the Governance Policy. These role definitions inter alia are aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.

b) A combination of centrally issued policies and divisionally – evolved procedures bring robustness to the process of ensuring business risks are effectively addressed.

c) Appropriate structures have been put in place to effectively address the inherent risks in businesses with unique / relatively high-risk profiles.

d) A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Audit Committee of the board reviews internal Audit findings and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented. The combination of policies processes as outlined above adequately addresses the various risks associated with your Company's businesses. The senior management of the Company periodically reviews the risk management's framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

ROLES AND ACCOUNTABILITIES IN RISK MANAGEMENT

Every staff member of the Organisation is responsible for the 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. Training and facilitation will, in the first instance, be the responsibility of the Office of Internal Audit/Risk Manager in conjunction with the Office of Human Resources.

1) **The Board of Directors**
   The Directors shall ensure that a risk management system is established, implemented and maintained in accord with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the Chairman / Managing Director or the Board.

2) Project In Charge / Business Unit Head

Business Unit Heads shall have the prime responsibility for the management of risk in their business unit. They shall ensure all the contractual obligation, deviation from them may result in serious risk on the respective project and overall profitability of the Organisation. This includes the identification of risks and actions that mitigate these risks while supporting the business to achieve its objectives.

3) Senior Executives

Senior Executives are accountable for strategic risk management within areas under their control including the devolution of the risk management process to operational managers. Collectively the Senior Executives shall be responsible for:

- Implementation of this policy within their respective areas of responsibility;
- The formal identification of strategic risks that impact upon the organizational goal;
- Allocation of priorities & The development of strategic risk management plans; and
- Ensuring compliance with risk assessment procedures

4) Chief Financial Officer

The CFO of the Company shall ensure the financial stability and will ensure that a risk management plan is completed for each commercial venture. Advice will be sought from the Internal Auditor on risk management issues in relation to these matters.

5) Human Resources – Head

The head of HR shall ensure for the occupational health and safety and workers compensation portfolio, procedures and administration. Advice will be sought, as required, from the Director Internal Audit/Risk Manager on risk management issues in relation to these matters.

6) Internal Audit

The purpose of the internal audit is to provide an independent, objective review of the company's key financial and operational controls and the effective management of risk.

The Internal Auditor shall be accountable for the implementation of this policy in key areas of the Organisation, maintaining a programmer for risk reassessment and a Risk Registers for the Organisation. Key areas will flow from the risk management plan developed by Senior Executives. The Internal Audit will provide advice to the relevant Risk Management Committee on risk management matters pertaining to the Company's financial stability and to occupational health and safety and workers' compensation issues.

7) External Audit

External Audit is responsible for providing an opinion on the truth and fairness of the annual financial report. In doing so, they shall assess the management of risk and key internal control systems.

8) **General**

The Board of Directors of the Company and the Risk Management Committee shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee.

The decision of the Board of Directors of the Company with regard to any or all matters relating to this policy shall be final and binding on all concerned. The Board of Directors of the Company shall have the power to modify, amend or replace this policy in part or full as may be thought fit from time to time in their absolute discretion.

DISSEMINATION

The policy shall be hosted on the website of the Company
i.e. https://www.advancetechforge.com/

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Effective Date: November 11, 2024
Date of Approval by Board of Directors: November 11, 2024