

# **The Anup Engineering Limited**

## **Risk Management Policy**

27<sup>th</sup> July 2021

The Anup Engineering Limited  
Risk Management Policy

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## **1. Risk management**

### **1.1 Purpose**

The Anup Engineering Limited is committed to high standards of business conduct and to good risk management to:

- achieve sustainable business growth
- protect the company's assets,
- avoid major surprises related to the overall control environment,
- safeguard shareholder investment and
- ensure compliance with applicable legal requirements.

This policy is intended to ensure that an effective risk management framework is established and implemented within The Anup Engineering Limited and to provide regular reports on the performance of that framework, including any exceptions, to the Risk Management Committee.

This Risk Management Policy complements and does not replace other existing compliance programs, such as those relating to environmental, quality, and regulatory compliance matters.

### **1.2 What is a risk?**

A risk is regarded as the threat of some event, action or loss of opportunity that, if occurs, will adversely affect either / or:

- Value to shareholders
- Ability of company to achieve objectives
- Ability to implement business strategies
- The manner in which the company operates
- Reputation

### **1.3 Types of risks**

Risks are classified as follows:

**Strategic Risks:** Relating to high level goals, aligned with and challenging the company's mission.

**Operational Risks:** Relating to effective and efficient use of company's resources and day to day operations.

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**Regulatory Risks:** Relating to the company's compliance with applicable laws and regulations.

## **2. Applicability**

This Risk Management Policy applies to all employees of The Anup Engineering Limited's businesses and functions namely:

- Production
- Procurement
- Finance and Accounts
- Human Resources
- Information Technology
- Legal, Regulatory and Corporate Affairs

## **3. Objective of risk policy**

The Anup Engineering Limited's Risk management objectives are to:

- Identify and manage existing and new risks in a planned and coordinated manner with the minimum of disruption and cost.
- Develop a "risk" culture that encourages all staff to identify risks and associated opportunities and to respond to them with effective actions.

To realise the risk management objective The Anup Engineering Limited aims to ensure that:

- the acceptance and management of risk is integrated in day to day management of the business;
- key risks are identified, assessed in the context of Anup's appetite for risk and their potential impact on the achievement of objectives, continuously monitored and managed to an acceptable level;
- the escalation of risk information is timely, accurate and gives complete coverage of the key risks to support management decision making at all levels;
- risk is primarily taken and managed by the business entity transacting the business which gives rise to the risk; and
- all employees actively engage in risk management within their own areas of responsibility.

## 4. Approach

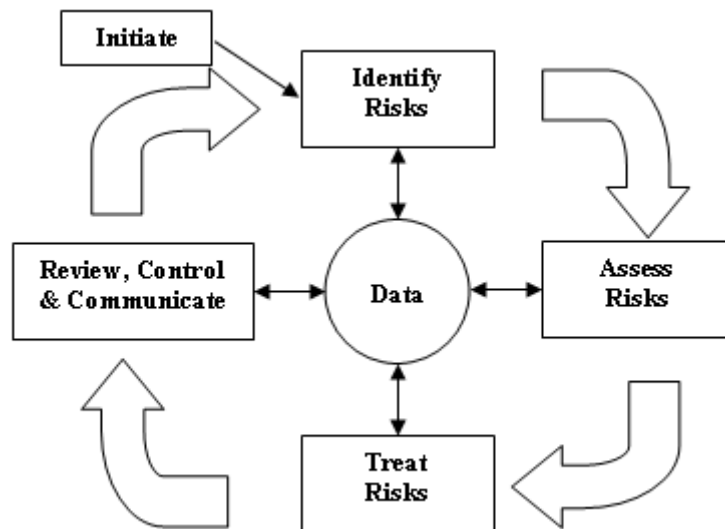
### 4.1 Process

Functional Head for each of process must periodically (preferably quarterly) review the risks facing their business or function. This review should include identifying all Significant Risks.

Functional Head must then implement an effective system of internal controls to manage those risks, including most importantly designating responsibilities, and providing for upward communication of any significant issues that arise.

Risk identification and management is a continuous process supported by formal reviews conducted on a bi-annual basis.

The generic risk management process is as shown below:



### 4.2 Risk Register

The risks profile of The Anup Engineering Limited will be documented in the Risk Register. It includes nature of risk, risk description, risk rating with respect to impact & likely-hood, root-causes of the risk and risk mitigation measures.

The Risk Register is the key document used to communicate the current status of all known risks and is vital to all management control, reporting and reviews.

### 4.3 Assess the Risks

Risk assessment enables risks to be categorized and graded in relation to their potential impact; those risks with potentially significant impact require proactive management. The two components of risks are the probability (likelihood) of occurrence and the

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impact (consequence) if the circumstance occurs. Risk is analyzed by combining estimates of probability and impact in the context of existing control measures.

Existing control measures are evaluated against Critical Success Factors (CSFs) and Key Performance Indicators (KPIs) identified for those specific controls. Guiding principles to determine the likelihood of occurrence and the impact have been set out in Appendix 1.

**4.4 Risk reviews**

A risk review involves the re-examination of all risks recorded on the risk register to ensure that the current assessments remain valid and review the progress of risk reduction actions. Risk reviews should form part of every Risk Management Committee meeting agenda. The risk register is reviewed and assessed bi-annually.

**4.5 Risk Treatment**

Risk treatment involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The implemented action plans should have the effect of risks getting eliminated, mitigated or transferred,

**4.6 Escalation Mechanism**

It is critical to an effective system of internal control that specific issues are promptly communicated and followed up appropriately. Communication will typically be through meetings with functional heads who will brief the CEO; who shall then report them to the Risk Management Committee.

## 5. Structure

### 5.1 Roles and responsibilities

The risk management roles and responsibility will be as follows:

<b>Board</b>	<ul style="list-style-type: none"> <li>▪ Approve risk policy and strategy</li> <li>▪ Review risk reports</li> <li>▪ Supports an environment that does not tolerate behavior which might compromise prudent risk management practice</li> <li>▪ Delegate the review &amp; monitoring of implementation of risk Management Policy to the Risk Management Committee</li> </ul>
<b>Risk Management Committee</b>	<ul style="list-style-type: none"> <li>▪ Reviews adequacy and effectiveness of business risk management</li> <li>▪ Monitors business risk reporting</li> <li>▪ Advises Business Unit/support functions on Risk initiatives</li> <li>▪ Improves risk management techniques and enhances management awareness</li> <li>▪ Sets standards for risk documentation and monitoring</li> <li>▪ Ensures a structured and consistent approach throughout the Company</li> <li>▪ Monitors emerging issues and shares best practice</li> <li>▪ Commissions and oversee projects to define and implement risk mitigation strategies</li> </ul>
<b>CEO/ Functional Head</b>	<ul style="list-style-type: none"> <li>▪ Responsible for identifying risks</li> <li>▪ Responsible for preparing risk profile</li> <li>▪ Responsible for managing risk</li> </ul>
<b>Business Controllers (MIS)</b>	<ul style="list-style-type: none"> <li>▪ Tests compliance at all relevant levels</li> <li>▪ Quality assurance on risk management process</li> <li>▪ Scopes audit work based upon severity of risk to the business</li> <li>▪ Special investigations as requested</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>▪ Compliance with requests from Management in connection with application of this policy</li> <li>▪ Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected</li> </ul>

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**5.2 Operation**

The Risk Management Committee shall review on a bi-annual basis or as needed for urgent or other matters for reviewing the progress on risk mitigation measures and also to identify new risks that may have arisen in last six months. The Board shall be apprised for the discussion in the Risk Management Committee on periodic basis.

**5.3 Responsibilities**

The Risk Management Committee shall have the following responsibilities with respect to the task of Risk Management:

- Ensure appropriate internal controls, risk management and legal compliance systems including standards, training and communications occur for all high-risk compliance and ethical areas, including but not limited to those areas deemed to be Significant Risks
- Provide for (and support) adequate auditing, monitoring and investigative resources in all such areas,
- Ensure the communication of policies and standards to successive levels of management.
- Ensure that The Anup Engineering Limited's Code of Conduct is distributed/ accessible to all the employees and related employee training occurs as appropriate.
- Commission risk assessments to identify significant business, operational, financial, legal, compliance and other risks.

**5.4 Deliverables**

At a minimum, the Risk Management Committee will deliver:

- Bi-Annual assessment of Risks with reference to the Risk Appetite.
- Bi-Annually updated Risk Register (which includes mitigation plans).
- Reports required for the Board.



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**Appendix 1 – Impact and Likely-hood Factors**

The following are guiding factors that may be used to determine **inherent impact** of identified risks:

Rating Parameters	1 Minor	2 Moderate	3 Serious	4 Critical	5 Catastrophic
Financial (turnover)	Insignificant impact on turnover say < 20%	Moderate impact on turnover Say 20% to 30% impact on turnover	Significant impact on turnover Say 30% to 50% impact on turnover	Substantial impact on turnover Say 50% to 70%	Substantially huge impact on turnover Say >70%
Reputation	Letter to local industry and pres	Series of letters to local industry and press	Negative local industry coverage	Short term negative media coverage and disruption to customer / investor confidence	Long term negative media coverage and long term disruption of customer / investor confidence
Market Share	No potential impact on market share	There is a potential impact on market share and brand value / quality of products	Market share and / or share value will be affected in the short term	Serious diminution in brand value / quality of products and market share with adverse publicity	Sustained, serious loss in market share
Regulatory	Minor admonition	Minor Penalties	Major penalties and litigations	Major penalties and litigations (Prosecution)	Business closure
Health and Safety	Minor injury / environmental damage	Serious injury / environment damage	Multiple injuries / environmental damage	Single fatalities / major environmental damage	Multiple fatalities/ Major environmental damage

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Safeguarding of assets and information	Communication of historic data information which is publicly available.	Communication of current information which may be publicly available  Minor fraud issues (expense claim errors) Damage or theft of physical assets	Communication of key information which may not be publicly available and frauds leading to moderate losses Damage or theft of physical assets	Communication of sensitive information and frauds leading to major financial losses  Damage or theft of physical assets	Communication of highly sensitive information and frauds leading to erosion of net worth.  Damage or theft of physical assets
Management effort	An event, the impact of which can be absorbed through normal activity  Issues would be delegated to middle, junior management and staff to resolve	An event, the consequence of which can be absorbed but management effort is required to minimize the impact. Issues will be delegated to the middle and senior management for resolution	A significant event which can be managed under normal circumstances  The event will require the CEO or senior management intervention	A critical event which with proper management can be endured  Events and problems will require Board and CEO attention	A disaster with potential to lead to collapse of the business  Will require direct intervention of the Board or Parent Company

Following are the guiding factors that may be used to determine **inherent likelihood** of identified risks:

Rating Parameters	1 Rate	2 Unlikely	3 Moderate	4 Likely	5 Almost Certain
Occurrence and Probability	Event may occur only in exceptional circumstances (Probability is 0-10%)  (beyond 36 months)	Event could occur in some time  (Probability is 10-30%)  (next 24-36 months)	Event could occur in some time  (Probability is 30-50%)  (next 18-24 months)	Event will probably occur in most circumstances  (Probability is 50-80%)  (next 12-18 months)	Event is expected to occur in most circumstances  (Probability is 80-100%)  (next 12 months)