RISK MANAGEMENT POLICY

(Adopted in the Board meeting 11.02.2025)

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1. PREFACE:

In accordance with Section 134(3)(n) of the Companies Act, 2013, a Company is required to include a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company and further as per Regulation 17 of the SEBI (LODR) Regulations, the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Accordingly, to mitigate and manage risk at "SoftTech Engineers Limited"(hereinafter referred to as the "Company"), the Company has formed the policy (the "Risk Management Policy") for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. OBJECTIVE:

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business and to create and protect shareholders' value by minimizing threats or losses, and identifying and maximizing opportunities. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues. These include:

1. Providing a framework, that enables future activities in a consistent and controlled manner;

2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;

3. Contributing towards more efficient use/ allocation of the resources within the organization;

4. Protecting and enhancing assets and company image;

5. Reducing volatility in various areas of the business;

6. Developing and supporting people and knowledge base of the organization;

7. Optimizing operational efficiency.

3. **SCOPE**

The Enterprise Risk Management (ERM) program ensures compliance with applicable government and regulatory requirements, and potential Risk areas in various economic, environmental, social, sectoral, sustainability related, and industrial environments SoftTech operates in.

This policy applies to the company's Enterprise-wide activities, and is applicable to all its employees, contractors and other stakeholders.

4. **POLICY STATEMENT:**

This organization is committed to a robust and proactive approach to risk management. This policy establishes a framework for identifying, assessing, and managing risks to ensure the achievement of our strategic objectives, protect the interests of our stakeholders, and provide a sound basis for decision-making at all levels of the organization. We are dedicated to continually strengthening our risk management system to adapt to evolving circumstances and best practices.

5. **APPLICABILITY**

This Policy applies to all areas of the Company's operations.

6. **KEY DEFINITIONS:**

"Company" means "SoftTech Engineers Limited", a Company constituted under the provisions of Companies Act, 1956.

"Board of Directors" or **"Board"**, in relation to a company, means the collective body of the directors of the SoftTech Engineers Limited (the 'Company').

"Audit Committee or **Committee"** means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations.

"Policy" means Risk Management Policy.

"Risk" in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

"Risk Management" is the systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

7. RISK FACTORS:

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

External Risk Factors

- Economic Environment and Market conditions
- Political Environment
- Competition
- Inflation and Cost structure:

Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer time-frame, as much higher risks for inflation and resultant increase in costs.

- Technology Obsolescence:

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

- Legal:

    Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

Internal Risk Factors

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

8. RISK MANAGEMENT FRAMEWORK:

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

- The Board's role to ensure framing, implementing and monitoring risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring

unbiased approach during the Board's deliberations on making risk management systems very strong and effective.

- The Audit Committee's role is to evaluate the risk management systems.

- This policy shall complement the other policies of SoftTech Engineers Limited in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are being effectively mitigated.

9. <u>IDENTIFICATION AND RISK ANALYSIS:</u>

Generally 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.

10. <u>COMPLIANCE AND CONTROL:</u>

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

11. <u>RISK TREATMENT:</u>

Risk treatment involves selecting and implementing one or more options to modify risks identified during the risk assessment process. The choice of treatment will depend on the nature of the risk, the organization's risk appetite, and the available resources. The following risk treatment options will be considered:

Risk Avoidance:

Risk avoidance involves taking action to eliminate the possibility of the risk event occurring. This may involve ceasing the activity that gives rise to the risk, declining to undertake a new activity, or withdrawing from an existing activity. Risk avoidance is often the most expensive or disruptive option but may be necessary for risks deemed unacceptable. *Example: Deciding not to launch a product in a market with highly volatile regulatory changes.*

Risk Reduction (Mitigation):

Risk reduction focuses on decreasing the likelihood of the risk event occurring and/or minimizing the impact if it does occur. This is achieved through implementing controls, processes, or procedures. Risk reduction aims to lower the risk to an acceptable level within the organization's risk appetite. *Example: Implementing robust cybersecurity measures to protect sensitive data.*

Risk Sharing (Transfer):

Risk sharing involves transferring the burden of the risk to a third party, such as an insurance company or a subcontractor. This does not eliminate the risk but shifts the financial or operational responsibility. It is important to ensure the third party is capable of managing the risk effectively. *Example: Purchasing cyber insurance to cover potential losses from a data breach.*

Risk Retention (Acceptance):

Risk retention involves acknowledging and accepting the risk without taking any specific action. This option is typically chosen for risks that are low in likelihood and/or impact, or where the cost of other treatment options outweighs the potential benefit. Risk retention can be self-insured, where the organization budgets for potential losses, or non-insured, where losses are absorbed as they occur. *Example: Accepting the minor risk of office equipment malfunction, budgeting for occasional repairs.*

12. RISK RATING CRITERIA/ RISK APPETITE
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The organization's risk appetite is categorized as **High**, **Medium**, **Low**, or **Minimum**, based on mutually agreed criteria for assessing and rating risks. These categories reflect the degree of risk the organization is willing to accept in pursuit of its objectives.
Risk appetite is determined by evaluating key elements such as:
- The **likelihood and impact** of risk events,
- The **strategic importance** of the activity or project involved,
- The **available resources** for risk mitigation,
- The **regulatory and reputational implications**, and
- The **potential benefits or returns** associated with taking the risk.
  These criteria guide decision-making across all levels of the organization, ensuring that risks are consistently identified, assessed, and managed in alignment with the organization's objectives and tolerance levels.
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13. RISK MANAGEMENT ACTIVITY CALENDAR

Purpose: This calendar outlines the key activities involved in the organization's risk management process, their frequency, and responsible parties. It aims to promote proactive risk management, enhance awareness, and ensure accountability.

Calendar Structure:

The calendar can be structured in a table format, ideally using a spreadsheet program for easy updates and distribution. Here's a suggested layout:

Activity	Description	Frequency	Responsible Party/Team	Key Metrics/Deliverables
Risk Identification				
Brainstorming Sessions	Regular sessions to identify emerging risks.	Quarterly	Risk Management Team	Risk Register Updates, Brainstorming Session Minutes
Environmental Scanning	Monitoring internal and external factors that could impact the organization.	Monthly/Annual	Strategic Planning Team	Environmental Scan Report
Incident Reporting Review	Review of reported incidents to identify potential risks.	Monthly	Risk Management Team	Incident Report Analysis, Risk Register Updates
Risk Assessment				
Risk Register Review & Update	Review and update the risk register with new risks, changes to existing risks.	Quarterly	Risk Management Team	Updated Risk Register
Risk Workshops	Workshops with stakeholders to assess the likelihood	Annually	Risk Management Team	Risk Assessment Report, Prioritized Risk List

	and impact of risks.			
Scenario Analysis	Developing and analyzing potential scenarios to understand their impact.	As Needed	Risk Management Team	Scenario Analysis Report
Risk Treatment				
Risk Treatment Implementation	Implementing approved risk treatment plans.	Ongoing	Assigned Individuals/Teams	Implementation Status Reports, Updated Risk Register
Control Effectiveness Testing	Testing the effectiveness of implemented controls.	Regularly (e.g., Annually/Bi-annually)	Internal Audit/Compliance	Control Effectiveness Reports, Remediation Plans
Risk Monitoring & Review				
Risk Reporting	Regular reports on the status of key risks and risk management activities.	Monthly/Quarterly	Risk Management Team	Risk Management Reports to Management/Board
Risk Appetite Review	Review and update the organization's risk appetite.	Annually	Senior Management	Updated Risk Appetite Statement
Management Review of Risks	Review of top risks and the effectiveness of risk management activities.	Quarterly/Annually	Senior Management/Board	Risk Management Review Meeting Minutes

14. COMMUNICATION AND CONSULTATION:

Communication and consultation with both internal and external stakeholders shall occur at all stages of the risk management process. This includes during risk identification, assessment, mitigation, monitoring, and review.

• The objective is to ensure that stakeholders are aware of the risks, the rationale behind decisions, and the actions being taken.

• Communication shall be continuous, transparent, and two-way, allowing for feedback and improvement.

• Internal stakeholders may include employees, management, the board of directors, and committees.

• External stakeholders may include customers, regulators, suppliers, partners, and investors.

• Appropriate channels and tools (e.g., meetings, emails, reports, portals) shall be used based on the stakeholder's relevance and sensitivity of the information.

Effective stakeholder engagement helps improve understanding, build trust, strengthen risk ownership, and supports informed decision-making.

15. REVIEW:

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

16. AMENDMENT:

This Policy can be modified at any time by the Board of Directors of the Company.