ONWARD TECHNOLOGIES LIMITED

Risk Management
Policy and Framework

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BACKGROUND:

This report encompasses policies and procedures relating to the risk management of the Company. The risks detailed herein are not exhaustive and are for information purposes only. This report may contain forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. The Company undertakes no duty to update any forward-looking statements.

This report lays down the framework of Risk Management at Onward Technologies Limited (hereinafter referred to as the 'Company') and defines the policy for the same. This report shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: regulations, competition, business environment, technology, investments, and retention of talent and expansion of facilities. As a matter of policy, these risks are assessed and steps as appropriate, are taken to mitigate the same.

DEFINITIONS

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 (the 'Act') and Listing agreement.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Act)

"Policy" means Risk Management Policy.

"Independent Director" shall have same meaning as defined meaning as defined under section 2 (47) read with section 149 (5) of the Act.

OBJECTIVE

The objective of Risk Management at the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

Strategic Objectives

1. Providing a framework that enables future activities to take place 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's 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.

LEGAL FRAMEWORK

Risk Management is a key aspect of corporate governance principles and code of conduct which aims to improvise the governance practices across the business activities of any organization. The Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Act necessitate that the Board's Report should contain 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.

Further, the provisions of Section 177(4)(vii) of the Act require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of internal financial controls and risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" (the 'Policy') of the Company.

POLICY

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 under above regulations is 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 angle to the Board's deliberations on making risk management systems more robust.

Role of Audit Committee:

1. To review development and implementation of a risk management policy of 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;
2. To evaluate internal financial controls and risk management systems adopted by the company;
3. To examine the organization structure relating to Risk management;

4. Evaluate the efficacy of recording and reporting of Risk related issues;
5. Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

Role of Independent Directors:

1. Assess the quality, quantity and timeliness of flow of information between the company management;
2. Review of the strategy for implementing risk management policy;
3. To review all hedging strategies/risk treatment methodologies vis a vis compliance relevant regulatory guidelines.
4. Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

This policy shall complement the other policies of Company in place. For instance, Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

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**

- **Revenue Concentration and liquidity aspects**

Each business area of services offered by the Company has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and milestone payment requirements, they carry higher risks for profitability and liquidity.

- **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 timeframe, 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 shall be 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 several legal risk.

• **Fluctuations in Foreign Exchange**

The Company has considerable currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk may be controlled by a mechanism of "Stop Loss" which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

Internal Risk Factors

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

BROAD PRINCIPLES

The Board shall review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risk factors, both external and internal. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Chairman and Managing Director (CMD) along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by CMD through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Audit Committee.

The following steps to be taken:

Risk identification: To identify organization's exposure to uncertainty. Risk may be classified in the following:

i. Strategic

ii. Operational

iii. Financial

iv. Legal

Risk Estimation:

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities shall be noted.

Risk Description: To display the identified risks in a structured format:

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Legal
Quantification of Risk	Significance and Probability
Risk Tolerance/ Appetite	Loss Potential and Financial Impact of Risk
Risk Treatment and Control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring and Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function Responsible to develop Strategy and Policy

Reporting:

Internal Reporting:

a) Functional Heads;
b) Audit Committee.
c) Board of Directors;

External Reporting:

a) To communicate to the stakeholders on regular basis as part of Corporate Governance

Risk Registers:

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified by the Board or Audit Committee for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Audit Committee and the Board.

The Board shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

Development of Action Plan

The Board has constituted an Audit Committee comprising majority of Independent Directors, and defined the Committee's role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of the Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses the Company is engaged in or shall undertake.

Audit Committee shall critically examine the report of CMD and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

INTEGRATION OF RISK MANAGEMENT STRATEGY

Company's risk management strategy is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

PENALTIES

The penalties are prescribed under the Act under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Act as well as other regulations which stipulate stiff penalties.

Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

REVIEW

This policy shall be subject to review and modification by review by the Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company. And the same shall be published on the website of the Company on www.onwardgroup.com.