

AZAD ENGINEERING LIMITED

RISK MANAGEMENT POLICY

Contents

- 1. Preamble**
- 2. Legal and Regulatory Framework**
- 3. Philosophy and approach**
- 4. Objectives of the Policy**
- 5. Scope and applicability**
- 6. Risk Appetite and tolerance**
- 7. Broad Risk Categories**
- 8. Risk Management Framework**
- 9. Governance Structure**
- 10. Business Continuity and Disaster Recovery**
- 11. Disclosures**
- 12. Review and amendment**
- 13. Effective Date**

1. PREAMBLE

Risk Management is an integral component of the corporate governance framework and strategic planning process of Azad Engineering Limited (**“Azad” or “the Company”**). The Company recognizes that risk is inherent in all business activities and that a structured approach to identification, evaluation and mitigation of risks is essential for sustainable growth, operational resilience and long-term value creation for stakeholders.

This Policy establishes an enterprise-wide framework to manage risks arising from both internal and external environments and seeks to embed a culture of risk awareness and accountability across all functional and business levels of the organization.

2. LEGAL AND REGULATORY FRAMEWORK

This Policy is framed in accordance with and shall be read in conjunction with:

- The Companies Act, 2013 and rules made thereunder.
- The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including Regulation 21 and other applicable provisions; and
- Other applicable laws, regulations and statutory guidelines, as may be amended from time to time.

3. PHILOSOPHY AND APPROACH

Azad adopts an Enterprise Risk Management (ERM) approach aimed at:

- Integrating risk management with strategic and operational decision-making.
- Promoting proactive identification and early warning mechanisms.
- Balancing risk and opportunity to enhance shareholder value.
- Ensuring regulatory compliance, operational continuity and financial stability; and
- Fostering a risk-aware culture throughout the organization.

For the purpose of this Policy, *risk* refers to any event, action or circumstance that may have a positive or negative impact on the Company’s ability to achieve its objectives.

4. OBJECTIVES OF THE POLICY

The objectives of this Policy are to:

1. Establish a structured and consistent framework for Risk Management across Azad.
2. Identify, assess, prioritize and mitigate material risks in a timely manner.
3. Define clear roles, responsibilities and reporting lines relating to risk oversight.
4. Integrate risk considerations into strategic, operational and financial planning.
5. Enhance stakeholder confidence through sound governance practices.
6. Ensure compliance with applicable laws and industry best practices; and
7. Support sustainable business growth and operational resilience

5. SCOPE AND APPLICABILITY

This Policy applies to all departments, business units, functions and operations of Azad Engineering Limited and covers all categories of risks, whether strategic, operational, financial, regulatory, technological, environmental, social or governance related.

6. RISK APPETITE AND TOLERANCE

The Company shall periodically articulate a Risk Appetite Statement, approved by the Board of Directors of Azad, defining the level and type of risk the Company is willing to accept in pursuit of its objectives. Risk tolerance limits for key risk areas may be established and reviewed at appropriate intervals.

7. BROAD RISK CATEGORIES

Azad recognizes risks under the following broad and non-exhaustive categories, including but not limited to:

1. Strategic Risks

Market competition, technological changes, customer concentration, expansion decisions and capital allocation.

2. Operational Risks

Manufacturing disruptions, supply chain dependencies, quality and product liability, workforce availability, and health, safety and environmental matters.

3. Financial Risks

Liquidity, credit exposure, working capital management, foreign exchange fluctuations, interest rate movements and funding risks.

4. Compliance and Legal Risks

Statutory and regulatory compliance, contractual obligations, litigation exposure and trade/export compliance.

5. Technology and Information Security Risks

Cybersecurity threats, data privacy, digital infrastructure failures and system downtime.

6. ESG and Sustainability Risks

Environmental compliance, climate-related impacts, social and labour considerations, and governance and ethical conduct matters.

7. Business Continuity Risks

Natural disasters, pandemics, geopolitical developments, infrastructure failures or other force-majeure events.

8. RISK MANAGEMENT FRAMEWORK

Azad shall follow a continuous and systematic risk management cycle comprising:

1. Risk Identification

Through management reviews, internal audits, external environment scanning, industry benchmarking and stakeholder inputs.

2. Risk Assessment

Evaluation based on likelihood and impact parameters using defined scoring methodologies and risk matrices.

3. Risk Mitigation

Development and implementation of action plans, process controls, diversification strategies, insurance coverage and financial hedging where appropriate.

4. Risk Monitoring

Tracking of Key Risk Indicators (KRIs), management dashboards and escalation mechanisms for material risks.

5. Risk Reporting

Structured and periodic reporting to the Risk Management Committee and the Board of Directors.

9. GOVERNANCE STRUCTURE

1. Board of Directors

The Board of Directors of Azad shall have overall responsibility for risk oversight and policy approval. Detailed monitoring and implementation of the risk management framework shall be delegated to the Risk Management Committee. The Board shall periodically review the Company's risk profile and ensure adequacy of the framework.

2. Risk Management Committee (RMC)

Constituted in accordance with Regulation 21 of the SEBI LODR Regulations, the RMC shall:

- Formulate, review and monitor the Risk Management Policy of Azad.
- Oversee implementation of the ERM framework.
- Evaluate adequacy and effectiveness of risk mitigation systems.
- Review risk registers, KRIs and mitigation plans.
- Recommend improvements to the Board.
- Review the appointment or removal of a Chief Risk Officer, if designated; and
- Meet at such frequency as deemed necessary or as prescribed under applicable law.

3. Audit Committee

The Audit Committee shall primarily focus on internal financial controls, financial reporting risks, audit findings and control deficiencies, and shall coordinate with the RMC where risk matters overlap with financial or internal control domains.

4. Senior Management and Functional Heads

Responsible for identification, assessment and management of risks within their respective areas, maintenance of risk registers and reporting of material risks to the RMC.

5. Internal Audit

Shall provide independent assurance on the adequacy and effectiveness of risk management processes and internal controls within Azad.

10. BUSINESS CONTINUITY AND DISASTER RECOVERY

Azad shall maintain and periodically review a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) to ensure continuity of critical operations during unforeseen disruptions. These plans shall be tested and updated at defined intervals.

11. DISCLOSURES

The Board of Directors of Azad shall include appropriate disclosures relating to risk management in the Board's Report, Annual Report and other statutory filings as required under applicable laws and regulations.

12. REVIEW AND AMENDMENT

This Policy shall be reviewed at least once every two years, or earlier if necessitated by regulatory changes, business environment shifts or Board direction. Any amendments shall be approved by the Board of Directors of Azad upon recommendation of the Risk Management Committee.

13. EFFECTIVE DATE

This Policy shall be effective from the date of approval by the Board of Directors of Azad Engineering Limited and shall remain in force until amended or rescinded.

Version History

Name of the Document	Risk Management Policy
Version	1
Prepared by	Secretarial and Legal Department
Approved by	Board of Directors
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