Risk Assessment and Management Policy of the Arkade Developers Ltd

Corporate Office

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RISK ASSESSMENT AND MANAGEMENT POLICY

1. BACKGROUND

This document lays down the framework of Risk Management at Arkade Developers Limited ("**Company**") and defines the Risk Assessment and Management Policy ("**Policy**") for the same. This document shall be under the authority of the Board of Directors of the Company and is pursuant to Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended and the Companies Act, 2013, as amended which requires the Company to lay down procedures about risk assessment and risk minimization. It seeks to identify risks inherent in any business operations of the Company and lays down the mitigation methods which are periodically reviewed and modified in a manner commensurate with the size and complexity of the business. This Policy is applicable to all the functions, departments and geographical locations of the Company. The purpose of this Policy is to define, design and implement a risk management framework across the Company to identify, assess, manage and monitor risks. Aligned to this purpose is also to identify potential events that may affect the Company and manage the risk within the risk appetite and provide reasonable assurance regarding the achievement of the Company's objectives. This will present a wide approach to ensure that key aspects of risk that have a wide impact are considered in its conduct of business.

Risk: Risk is an event which can prevent, hinder or fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

Accordingly, the Board of Directors of Company ("**Board**") has adopted this Policy at its meeting held on 31st August, 2023 which was subsequently amended in its meeting held on 13th May, 2025, which can be amended from time to time.

2. OBJECTIVE

The objectives of the Policy are to assess risks to the achievement of key business objectives by identifying and to deploy mitigation measures. An enterprise-wide

risk management framework is applied in a manner such that the effective management of risks at different levels and different functions is an integral part of every employee's job.

a. To safeguard the Company's and its subsidiaries'/ joint ventures' property, interests, and interest of all stakeholders;
b. To manage risks with an institutionalized framework and consistently achieving desired outcomes;
c. To protect and enhance the corporate governance;
d. To implement a process to identify potential / emerging risks;
e. To implement appropriate risk management initiatives, controls, incident monitoring, reviews and continuous improvement initiatives;
f. Minimize undesirable outcomes arising out of potential risks; and
g. To align and integrate views of risk across the enterprise

3. COMPONENTS OF A SOUND RISK MANAGEMENT SYSTEM

The risk management system in the Company should have the following key features:
(a) Active board of directors, committee and senior management oversight;
(b) Appropriate policies, procedures and limits;
(c)Comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks;
(d) Appropriate management information systems at the business level;
(e) Comprehensive internal controls in accordance with current regulations and business size and scale; and
(f) A risk culture and communication framework

4. RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

The Risk Management Committee shall meet at least twice in a financial year. The quorum for a meeting of the Risk Management Committee shall be either two (2) members or one third of the members of the Risk Management Committee,

whichever is higher, including at least one member of the Board of Directors in attendance.

The meetings of the Risk Management Committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten (210) days shall elapse between any two consecutive meetings of the Risk Management Committee.

5. RISK MANAGEMENT PROCESS

Conscious that no entrepreneurial activity can be undertaken without assumption of risks and associated reward opportunities, the Company operates on a risk management process /framework aimed at minimization of identifiable risks after evaluation so as to enable management to take informed decisions. Broad outline of the framework is as follows:

a) Risk Identification: Management identifies potential events that may positively or negatively affect the Company's ability to implement its strategy and achieve its objectives and performance goals. [Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

Internal risks including:

- Strategic Risk: Competition, inadequate capacity, high dependence on a single customer/vendor.
- Business Risk: Project viability, process risk, technology obsolescence/changes, development of alternative products.
- Finance Risk: Liquidity, credit, currency fluctuation.
- Environment Risk: Non-compliances to environmental regulations, risk of health to people at large.
- Personnel Risk: Health & safety, high attrition rate, incompetence.
- Operational Risk: Process bottlenecks, non-adherence to process parameters/ predefined rules, fraud risk.
- Reputation Risk: Brand impairment, product liabilities.
- Regulatory Risk: Non-compliance to statutes, change of regulations.
- Technology Risk: Innovation and obsolescence.
- Information and Cyber Security Risk: Cyber security related threats and attacks, Data privacy and data availability.

External risks including:

- Sectoral Risk: Unfavourable consumer behaviour in relation to the relevant sector etc.
- Sustainability Risk: Environmental, social and governance relates risks.
- Political Risk: Changes in the political environment, regulation/ deregulation due to changes in political environment.

b) Root Cause Analysis: Undertaken on a consultative basis, root cause analysis enables tracing the reasons / drivers for existence of a risk element and helps developing appropriate mitigation action.

c) Risk Scoring: Management considers qualitative and quantitative methods to evaluate the likelihood and impact of identified risk elements. Likelihood of occurrence of a risk element within a finite time is scored based on polled opinion or from analysis of event logs drawn from the past. Impact is measured based on a risk element's potential impact on revenue, profit, balance sheet, reputation, business and system availability etc. should the risk element materialize. The composite score of impact and likelihood are tabulated in an orderly fashion. The Company has assigned quantifiable values to each risk element based on the "impact" and "likelihood" of the occurrence of the risk on a scale of 1 to 4 as follows.

Impact	Score	Likelihood
Minor	1	Low
Moderate	2	Medium
High	3	High
Critical	4	Certain

The resultant "action required" is derived based on the combined effect of impact & likelihood and is quantified as per the summary below.

6. RISK CATEGORIES

Risks can be broadly categorized into Low Medium and High.

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

Risk Management Committee along with their views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by the Risk Management Committee and the report thus finalized shall be placed before the Board

7. RISK MITIGATION PLAN

Management develops appropriate responsive action on review of various alternatives, costs and benefits, with a view to managing identified risks and limiting the impact to tolerance level. Risk mitigation plan drives policy development as regards risk ownership, control environment timelines, standard operating procedure, etc.
Risk mitigation plan is the core of effective risk management. The mitigation plan covers:

(i) Required action(s);
(ii) Required resources;
(iii) Responsibilities;
(iv) Timing;
(v) Performance measures; and
(vi) Reporting and monitoring requirements

The mitigation plan may also cover:

(i) preventive controls - responses to stop undesirable transactions, events, errors or incidents occurring;
(ii) detective controls - responses to promptly reveal undesirable transactions, events, errors or incidents so that appropriate action can be taken;
(iii) corrective controls - responses to reduce the consequences or damage arising from crystallization of a significant incident. Therefore, it is drawn with adequate precision and specificity to manage identified risks in terms of documented approach (accept, avoid, reduce, share) towards the risks with specific responsibility assigned for management of the risk events.

8. RISK MONITORING

It is designed to assess on an ongoing basis, the functioning of risk management components and the quality of performance over time. Staff members are encouraged to carry out assessments throughout the year. “

9. OPTIONS FOR DEALING WITH RISK

There are various options for dealing with risk.

Treat - Where a risk can be reduced to an acceptable level through the implementation of appropriate controls or actions, the risk should be treated. Treatment may involve reducing the likelihood of the risk occurring, reducing its potential impact, or both.

Tolerate – If we cannot reduce the risk in a specific area (or if doing so is out of proportion to the risk) we can decide to tolerate the risk; i.e., do nothing further to reduce the risk. Tolerated risks are simply listed in the corporate risk register.

Transfer – Here risks might be transferred to other organizations, for example by use of insurance or transferring out an area of work.

Terminate – This applies to risks we cannot mitigate other than by not doing work in that specific area. So, if a particular project is of very high risk and these risks cannot be mitigated we might decide to cancel the project.

10. RISK REPORTING

Periodically, key risks are reported to the Board or risk management committee with causes and mitigation actions undertaken/ proposed to be undertaken.

The internal auditor carries out reviews of the various systems of the Company using a risk-based audit methodology. The internal auditor is charged with the responsibility for completing the agreed program of independent reviews of the major risk areas and is responsible to the audit committee which reviews the report of the internal auditors on a quarterly basis.

The statutory auditors carry out reviews of the Company's internal control systems to obtain reasonable assurance to state whether an adequate internal financial controls system was maintained and whether such internal financial controls system operated effectively in the company in all material respects with respect to financial reporting.

On regular periodic basis, the Board will, on the advice of the audit committee, receive the certification provided by the CEO and the CFO, on the effectiveness, in all material respects, of the risk management and internal control system in relation to material business risks.

The Board shall include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

11. COMMUNICATION AND CONSULTATION

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

12. DISCLAIMER CLAUSE

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

13. AMENDMENT

Any change in the Policy shall be approved by the board of directors ("**Board**") of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Board will periodically review the Policy and the procedure set out thereunder. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

14. APPROVAL OF THE POLICY

The Board will be the approving authority for the company's overall risk management system. The Board will, therefore, approve this Policy and any amendments thereto from time to time.