SPARC SYSTEMS LIMITED

RISK MANAGEMENT POLICY

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Risk

Risk is a combination of the probability of an event and its consequences which are likely to be negative. A business risk is like a threat which leads to non-fulfillment of objectives/goals of the organization on the occurrence of certain event. In the safety field, it is generally recognized that consequences are only negative and therefore, the management of safety risk is focused on prevention and mitigation of harm.

Risk Management

Risk Management is the process of controlling various risks in the organization by identifying or assessing those risks well in advance and taking steps to minimize those risks. The focus of good risk management is the identification and treatment of business risks.

Risk Management is a continuous and developing process which runs throughout the organization's strategy and implementation of that strategy.

Types of Risks in Business

Risks can be categorized into four major categories:

1. Strategic Risks
   - Competition
   - Change of Tax Structures & Government Policy
   - Customers Demand
2. Operational Risks
   - Obsolescence of Technology Risk
   - Quality
   - Intellectual Property Rights Risk
3. Financial Risks
   - Foreign Exchange Risk
   - Interest Rate Risks
   - Customers Outstanding Risks
4. Compliance & Legal Risks
   - Contractual Risks
   - Legal & regulatory Risks

Risk Management procedure

Risk Identification & Assessment

Risk Identification sets out to identify an organisation's exposure to uncertainty. The basic idea to understand the organization as a whole and to know the areas in which the probability of achieving the target is getting minimized. In this process, the management tries to identify those events which may lead to create a negative effect on the activities of the organization. After identification of potential risks, the process of risk assessment starts.

Risk Assessment involves the quantification of risk to determine the impact of risk on the potential activity in which such risk is involved. The impact of the risk is to be assessed on the five point scale. There can be many measurements on the risk scale.
E.g. the impact of risk can be high which denotes No. 5 & it can be low which denotes no. 1.

Risk Reporting & Communication

After the risk has been assessed, it should be reported to the board of directors and concerned employees of the organisation.

The board of directors should know:

- About the most significant risks facing the organisation.
- The effects of such risks on the shareholder value
- Frequency of the occurrence of a particular risk.
- Appropriate level of awareness about the risks in the organisation.

The concerned employees should

- Understand their accountability for the individual risks.
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

Minimization of risks

There are two ways to minimize the risks in the organization which are as under:

Accepting the risk - to accept the risk and insuring the risks or making contingency plans to deal with the risk.

Transfer of risk - to transfer the risk to other party e.g. in case of import of machinery, the risk of damage of machinery in the course of transit shall in the account of the seller.

Risk Management Committee

The Company shall have a Risk Management Committee who will review and assess the risks in the organization at frequent intervals and report the same to the management.

AMENDMENT

The Managing Director of the Company has the right to amend or modify this policy in whole or in part, at any time without assigning any reason, whatsoever.

This policy may be updated from time to time.

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