

## RISK MANAGEMENT POLICY

Owner	Board of Directors	Effective Date	Sep 8, 2020
Document Code		Last Revised	Aug 11, 2022

### A. Purpose

By establishing this Policy we seek to proactively manage risks that might affect our business and capture new opportunities. The policy aims to guide our decision-making on risk related issues.

### B. Scope

This Policy applies to all current and future business activities of Delta Global Solutions. All employees and contractors must follow the policy in a uniform manner.

### C. Policy Principles

1. Risk awareness. Our employees are aware of the risks we face in our business and understand their role in managing risk in their area of responsibility.
2. Relevance. Our risk management practices are relevant to our organizational context and in sync with our business objectives.
3. Improvement. We use the lessons learned from our successes and failures to continually improve our decision-making and risk management framework.
4. Integration. Risk management is integrated into our business processes; it is factored in decision-making across all business activities.
5. Opportunities. We use positive risks to capture new opportunities and achieve profitable outcomes.

### D. Responsibilities

Board of Directors is required to:

- Provide policy, oversight and review of risk management

Managing Director is required to:

- Ensure company-wide compliance with the policy
- Maintain risk awareness among staff and drive a culture of risk management
- Review and monitor risk management activities on an ongoing basis

All Employees are required to:

- Read, understand and comply with this risk management policy
- Be conversant with risk management concepts and be able to apply risk management principles within your area of control
- Identify, manage and report risks in your daily business activities to Board of Directors

## E. Risk Management Process

Our risk management process is made up of 3 key steps: 1) identify risks; 2) analyze risks; 3) treat risks.

- 1. Identify Risks.** We identify negative or positive risks relevant to our business and document them in our Risk Register. This includes regular discussions with employees at all levels, reading CAPA reports, team brainstorming, etc.
- 2. Analyze Risks.** We measure risks in two dimensions - the likelihood of the risk event occurring (probability) and the extent of the consequences if it were to occur (impact). We then combine the likelihood and impact of a risk event to assign it a rating - extreme, high, medium, low or very low.
  - (1) Analyze inherent risk - what is the likelihood and consequence of a risk event if it were to occur in an uncontrolled environment? This helps us understand the importance of controls in mitigating risk.
  - (2) Identify and assess controls - what existing controls (process, policy, device) are in place to address the identified risk and how effective are these controls in operation? A control is any action that we put in place that either reduces the likelihood of an event occurring or reduces its potential consequence.
  - (3) Analyze residual risk - what is the likelihood and consequence of a risk event if it were to occur in the current control environment? Once the inherent risk and the effectiveness of relevant controls have been considered, the residual risk can be assessed using the same process as in Step 1 but based on the effectiveness of the current controls as assessed in Step 2.
- 3. Treat Risks.** Depending on the type and nature of the risk, we choose one or more options to treat risks: avoid, reduce, share/transfer or accept risk. Once implemented, treatments provide or modify the controls. Risk treatment plan, treatment progress and resolution dates must be documented by risk owners in our Risk Register and reported to the Board of Directors. The results should also be an input to our annual Management Review and improvement of our risk management framework.

When selecting risk treatment options, we consider the following:

- Efficiency of treatment and reduction of the overall cost of the risk;
- Available approaches to treat the risk, cost-benefit ratio for each viable treatment;
- Treatment priority, we should address the highest rated risks as a matter of urgency.

Continuous monitoring and communication of risks is part of the process. We must also ensure that our risk management framework remains relevant to our organizational context per our Strategic Plan.

## F. Risk Categories

We have identified the following categories of internal and external risks:

- Financial risks
- Operational risks
- Strategic risks
- Human resources
- Technological risks
- Legal & regulatory

- Health & safety
- Geopolitical risks

## **G. Measuring Performance**

Risk management is a cross-functional process. That means our risk KPIs are reflective of our strategic priorities across all business functions of our Company. Some of our risk management KPIs include:

- Quality: Customer satisfaction score: not less than 95%
- Financial: Keep bad debt ratio to 1% of customer sales
- HR: keep the number of high performer turnover to 0 per annum
- Risk Management: Reduce the number of risks occurred to 3 per annum

We also use leading risk metrics or KRIs to assess the health of our risk management program and predict risks, including:

- Number of risks identified/outstanding
- Internal audit performance scores
- Time taken to resolve risk issues

## **H. Updates and Communication**

We periodically review and update this policy to respond to the evolving risk environment and our organizational context. The latest version is published on our website and corporate portal. For any questions please contact us at [info@dgs.biz](mailto:info@dgs.biz) or +998 78 1503520.

## Annex 2 - Risk Analysis Tools

## 1. Assessment Criteria - Probability

<b>RATING</b>	<b>POTENTIAL FOR RISK TO OCCUR</b>	<b>PROBABILITY</b>
ALMOST CERTAIN	Likely to occur several times a year	>90%
LIKELY	Likely to occur once a year	50%-90%
POSSIBLE	Possibly occur once every few years	10%-50%
UNLIKELY	Maybe occur once in 5 years	5%-10%
RARE	Might occur once in 10 years	<5%

## 2. Assessment Criteria - Impact

<b>RATING</b>	<b>IMPACT</b>
CATASTROPHIC	Could shut down the Company; business objectives not achieved
MAJOR	Material impact on the Company; key business objectives not achieved
MODERATE	Noticeable impact; some business objectives not achieved
MINOR	Some impact that is easily remedied
INSIGNIFICANT	Impact not visible

## 3. Risk Rating Matrix

<b>PROBABILITY</b>	<b>IMPACT</b>				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	Medium	Medium	High	Extreme	Extreme
Likely	Low	Medium	High	Extreme	Extreme
Possible	Low	Low	Medium	High	Extreme
Unlikely	Very Low	Low	Medium	High	Extreme
Rare	Very Low	Very Low	Low	Medium	High

## 4. Risk Controls - used to assess the current operating effectiveness of the controls in place

<b>RATING</b>	<b>ACTION</b>	<b>DESCRIPTION</b>
NONE	Critical improvement opportunity	Controls are non-existent or have major deficiencies and don't operate as intended
NEEDS IMPROVEMENT	Significant improvement opportunity	Limited controls and/or management activities are in place, high level of risk remains
ADEQUATE	Moderate improvement opportunity	Controls are in place, with opportunities for improvement identified
STRONG	Limited improvement opportunity	Controls are properly designed and operating, with limited opportunities for improvement identified
EFFECTIVE	Effective	Controls and/or management activities are properly designed and operating as intended

## 5. Risk rating and required actions

RISK RATING	REQUIRED ACTION
EXTREME	<ul style="list-style-type: none"> <li>• Immediate attention of Managing Director</li> <li>• Treatments prepared by Risk Owner for Managing Director approval</li> <li>• Board to be informed by the Managing Director as appropriate</li> </ul>
HIGH	<ul style="list-style-type: none"> <li>• Immediate attention of Managing Director</li> <li>• Treatments prepared by Risk Owner for Managing Director approval</li> </ul>
MEDIUM	<ul style="list-style-type: none"> <li>• Immediate attention of Manager</li> <li>• Treatments prepared by Risk Owner for Managing Director approval</li> </ul>
LOW	<ul style="list-style-type: none"> <li>• Risk to be managed through routine business-as-usual processes to support ongoing monitoring in case the risk profile changes</li> <li>• Risk discussed with the team at the next meeting</li> </ul>
VERY LOW	<ul style="list-style-type: none"> <li>• Risk to be managed through routine business-as-usual processes to support ongoing monitoring in case the risk profile changes</li> </ul>

## 6. Risk treatment options

OPTION	TREATMENT
AVOID	Decide not to proceed with the activity that introduced the unacceptable risk, choose an alternative less risky approach or process to achieve business goals.
REDUCE	Implement a strategy designed to reduce the likelihood or consequence of the risk to an acceptable level, where elimination is excessive in terms of time or expense.
SHARE/TRANSFER	Share or transfer the risk to another party, e.g. outsource the management of physical assets, develop contracts with service providers or insure against the risk.
ACCEPT	Make an informed decision that the risk is acceptable or the cost of treatment outweighs the benefit.

## 7. Risk management process diagram

