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## **Risk Management Policy and Procedure for CESEL**

### **Purpose**

The purpose of this Risk Management Policy is to provide a structured and comprehensive approach for managing the risks that could affect the company's ability to achieve its objectives. This policy ensures that risks are identified, assessed, monitored, and mitigated in a way that promotes the company's sustainability, resilience, and long-term success. By implementing an effective risk management process, the company seeks to safeguard its financial stability, operational efficiency, reputation, legal compliance, and stakeholder value.

### **Scope**

This policy applies to all employees, managers, contractors, and third parties working with or on behalf of the company. The policy encompasses all categories of risks, including but not limited to strategic, financial, operational, legal, regulatory, technological, environmental, and reputational risks. It is applicable across all levels of the organization, including the Board, senior management, and operational staff.

### **Definitions**

- **Risk:** The possibility that an event, condition, or activity could lead to a deviation from expected outcomes, causing harm, loss, or damage to the organization or its objectives.
- **Risk Management:** The systematic application of policies, procedures, and practices to the tasks of identifying, assessing, managing, and controlling risks.
- **Risk Appetite:** The level and type of risk that the company is willing to pursue or tolerate in the pursuit of its objectives.
- **Risk Tolerance:** The specific maximum amount of risk that the company is willing to take for individual risk categories.
- **Risk Register:** A document or database that logs all identified risks, their assessments, risk owners, and actions to mitigate or monitor the risks.

### **Policy Statement**

The company is committed to integrating risk management into all levels of decision-making, from strategic planning to daily operations. By doing so, the company aims to:

- Protect its people, assets, reputation, and operations from adverse risks.
- Exploit opportunities that arise from an understanding and management of risk.
- Ensure compliance with legal and regulatory obligations.
- Improve its resilience against external and internal threats.
- Build a culture where risk management is seen as an integral part of business success.

## **Risk Management Framework**

The company's Risk Management Framework comprises the following key components:

- **Risk Culture:** Promote awareness and accountability for risk management at all levels of the organization. Employees are encouraged to report risks without fear of retribution.
- **Risk Governance:** Clear assignment of roles, responsibilities, and accountabilities for risk management across the organization.
- **Risk Processes:** Standardized procedures for identifying, assessing, responding to, and monitoring risks.
- **Risk Appetite and Tolerance:** Establishment and communication of the company's risk appetite and risk tolerance levels, guiding decision-making and risk prioritization.

## **Roles and Responsibilities**

- **Board of Directors:**
  - Set the company's risk appetite and oversee the overall risk management framework.
  - Review risk reports, ensure key risks are effectively managed, and approve risk mitigation strategies for significant risks.
  - Ensure that risk management is part of the company's corporate strategy and decision-making process.
- **Risk Management Committee (if applicable):**
  - Oversee the implementation and ongoing management of the risk management framework.
  - Review the effectiveness of risk mitigation actions and ensure they are aligned with the company's strategic objectives.
  - Recommend adjustments to risk appetite and tolerance levels as needed.
- **Senior Management:**
  - Implement the risk management policy in their respective departments or areas of responsibility.

- Ensure that risks are continuously identified, assessed, and managed within their functional areas.
- Monitor risks and escalate significant risks to the Risk Management Committee or Board.
- **Risk Owners:**
  - Designated individuals responsible for managing specific risks.
  - Monitor the effectiveness of risk controls and ensure mitigation actions are implemented.
  - Report on the status of risks and control measures to senior management.
- **All Employees:**
  - Identify and report potential risks in their daily operations.
  - Comply with the company's risk management policies and procedures.
  - Contribute to a culture of risk awareness and proactive risk management.

## Categories of Risk

The company recognizes a variety of risk categories that may impact its operations, including:

- **Strategic Risks:** Risks that affect the company's ability to achieve its long-term objectives (e.g., market changes, competition, regulatory shifts).
- **Financial Risks:** Risks related to financial performance, cash flow, credit, liquidity, and exposure to financial markets (e.g., exchange rates, interest rates).
- **Operational Risks:** Risks arising from internal processes, systems, people, or external events (e.g., supply chain disruptions, human error, IT system failures).
- **Compliance and Legal Risks:** Risks associated with failure to comply with laws, regulations, or contractual obligations (e.g., data privacy, labor laws).
- **Reputational Risks:** Risks that could negatively affect the company's public image or stakeholder trust (e.g., negative media coverage, product recalls).
- **Environmental Risks:** Risks related to environmental factors and sustainability (e.g., natural disasters, climate change impacts).
- **Technological Risks:** Risks arising from technological failures or cyber security threats (e.g., data breaches, system downtime).
- **Health and Safety Risks:** Risks to employee well-being or safety during work activities.

## Risk Management Process

The risk management process follows a structured and continuous cycle of identification, assessment, response, and monitoring.

## Risk Identification

- Risk identification will be conducted on an ongoing basis through various methods, including but not limited to:
  - Internal audits and risk assessments.
  - Workshops and brainstorming sessions with cross-functional teams.
  - Employee feedback and incident reports.
  - Analysis of external factors such as regulatory changes, economic shifts, and market trends.
- Identified risks will be recorded in the Risk Register, categorized by type, and assigned to a risk owner.

### **Risk Assessment**

- Risk Assessment Criteria:
  - Likelihood: The probability that a risk will occur (rated on a scale from rare to almost certain).
  - Impact: The potential effect of the risk on the company's objectives, operations, or reputation (rated on a scale from insignificant to catastrophic).
- Risk Scoring: Risks will be evaluated using a risk matrix that considers both likelihood and impact. This will prioritize risks for action based on their overall risk score (high, medium, low).
- Inherent vs. Residual Risk: Each risk will be assessed both before and after considering current controls to understand the inherent risk (before controls) and residual risk (after controls).

### **Risk Response**

For each identified risk, one or more of the following risk response strategies will be selected:

- Avoidance: Discontinuing activities that expose the company to the risk.
- Mitigation: Implementing controls to reduce the likelihood or impact of the risk.
- Transfer: Shifting the risk to another party (e.g., through insurance or outsourcing).
- Acceptance: Acknowledging the risk and deciding to take no further action because the risk is within the company's tolerance.

### **Risk Monitoring and Review**

- Risks will be reviewed regularly by the Risk Management Committee and senior management. Emerging risks will be assessed and incorporated into the Risk Register.
- Monitoring activities include:
  - Regular risk assessments and audits.
  - Periodic review of the effectiveness of risk mitigation measures.

- Monitoring external factors (e.g., economic conditions, regulatory changes).
- A full review of the risk management framework will be conducted annually to ensure continued relevance and effectiveness.

### **Risk Reporting**

- **Internal Reporting:** Risk reports will be submitted to senior management and the Board on a quarterly basis or as needed. These reports will include:
  - High-priority risks and mitigation status.
  - Changes in the company's risk profile.
  - Key risk indicators (KRIs) to track evolving risks.
- **External Reporting:** The company may communicate certain risk-related information to external stakeholders, including investors, regulators, and auditors, as required by law or governance standards.

### **Training and Awareness**

- The company will provide risk management training to all employees to ensure a clear understanding of their roles in the risk management process.
- Senior management will receive advanced training in risk assessment and response techniques.
- Regular communication will ensure that employees are aware of updates to the risk management policy and emerging risks.

### **Policy Review and Updates**

- This policy will be reviewed annually by the Risk Management Committee to ensure its continued appropriateness in light of changes in the company's operations, external environment, or regulatory requirements.
- Updates to the policy will be approved by the Board of Directors and communicated to all employees.

### **Compliance**

- Failure to comply with this policy will be addressed in accordance with the company's disciplinary procedures. Employees are expected to act in accordance with the risk management framework and report any concerns promptly.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Patrick Tolani". The signature is written in a cursive style with a prominent horizontal stroke at the beginning.

Dr Patrick Tolani

Director/Chief Executive Officer.