



RISK MANAGEMENT POLICY

1. INTRODUCTION

Risk management is an integral component of good corporate governance and fundamental in achieving the company's strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value. The Risk Management Policy ("Policy") is formulated under the requirements of Regulation 21(4) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

2. OBJECTIVE

Risk is an inherent aspect of a dynamic business environment. The Company is committed to high standards of business conduct and comprehensive risk management to:

- **Identify and Assess Risks:** Identify potential risks that could impact the organization and assess their likelihood and impact.
- **Minimize Losses:** Minimize financial losses and other adverse consequences resulting from identified risks.
- **Maximize Opportunities:** Maximize opportunities and benefits arising from identified risks.
- **Ensure Compliance:** Ensure compliance with regulatory requirements and industry standards.
- **Promote Risk Awareness:** Promote risk awareness and a risk management culture within the organization.
- **Protect Assets:** Protect the organization's assets, including physical, financial, and reputational assets.
- **Improve Decision Making:** Improve decision making by providing a framework for risk-informed decisions.
- **Enhance Transparency and Accountability:** Enhance transparency and accountability by ensuring that risk management practices are transparent and accountable.
- **Continuously Monitor and Review:** Continuously monitor and review the risk management process to ensure its effectiveness and identify areas for improvement.

This policy is intended to ensure that an effective risk management framework is established and implemented within the Company to identify risks inherent in the business operations of the Company and provides guidelines to define measure, report, control and mitigate the identified risks.

3. APPLICABILITY

This Policy applies to all areas of the Company's operations, including subsidiaries and associates.

4. RISK MANAGEMENT COMMITTEE

The Board has constituted the "Risk Management Committee", and it is in line with the requirements of the Listing Regulations. This Policy and the Terms of Reference of Risk Management Committee are integral to the functioning of the Risk Management Committee and are to be read together.

The Risk Management Committee shall meet at least twice in a year.

4.1 Constitution

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 Board of Directors may re-constitute the Composition of the Committee, as it may deem fit, from time to time.

4.2 Chairperson

The Chairperson of the Committee shall be a member of the Board of Directors

4.3 Secretary

The Company Secretary shall act as the Secretary to the Committee.

4.4 Quorum

The Quorum for a meeting of the Committee shall be either two members or one third of the members of the Committee whichever is higher including at least one member of the board of directors in attendance.

Members of the senior management shall attend the meetings by invitation, in accordance with items on the agenda.

4.5 Terms of Reference

To formulate a detailed Risk Management Policy which shall include:

- A framework for identification of internal and external risks specifically faced by the listed entity, including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
- Measures for risk mitigation including systems and processes for internal control of identified risks.
- Business continuity plan
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.

- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- To keep the board of directors informed about the nature and content of its discussions, recommendations, and actions to be taken.
- The appointment, removal, and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

5. RISK MANAGEMENT PROCESS

5.1 Risk Analysis: Risk analysis involves consideration of the sources of risk, their consequences and the likelihood that those consequences may occur. The existing systems, control measures and procedures to control risk are identified and their effectiveness is assessed.

5.2 Risk Identification: Risk Identification involves assessment of organization's exposure to uncertainty. Analysis of all the risks thus identified shall be carried out by the Risk Management Committee through participation of the vertical/functional heads.

5.3 Risk Categorization:

All identified risks are broadly categorised as follows:

- **Strategic Risk:** Risk of loss resulting from business factors such as market strategy, Political Risks, Competition Risk, Risk related to Environment, Social and Governance.
- **Operational Risk:** Risk of loss as a result of ineffective or failed internal processes, people, systems, or external events that can disrupt the flow of business operations. These operational losses can be directly or indirectly financial, such as Quality Risk, Raw Material Procurement Risk, Manpower Retention, Cost Optimization.
- **Compliance Risk:** Risk of loss resulting from change in regulations or legislation that will affect a security, company, or industry. Ensure stricter adherence to laws/ rules/ regulations/ standards, Adherence of company Policies and Procedures (SOPs).
- **Financial and Reporting Risks:** Risk of inadequate internal or external reporting due to inaccurate financial or non-financial data, such as Liquidity Risk, Forex Exposure Risk, Volatility in Currency, funding & Credit risk.
- **Cyber Security Risk:** Cyber security risk such as ransomware, data leakage, hardware and software failure, spam, viruses and malicious attack.

5.4 Risk Assessment

Risk assessment involves comparing the level of risk found during the analysis process against the pre-defined risk weights so as to assess their potential severity of loss and to the probability of occurrence. Risk weights of High / Medium / Low can be assigned based on parameters for each operating activity.

5.5 Risk Mitigation

Mitigation measures involves developing strategies/alternatives to reduce or treat the potential risks.

5.6 Risk Reporting and Disclosure

Members of the core management team and the risk council review the implementation of these strategies and also ensure that adequate efforts are being made to mitigate the risks perceived. Risks will be continuously monitored and reviewed; and the effectiveness of the controls in place and of the risk action plans is assessed to ensure changing circumstances do not alter risk priorities.

6. GOVERNANCE STRUCTURE

The Risk Management governance structure of the Company shall comprise of the following:

- Board of Directors
- Risk Management Committee
- Risk Council
- Functional/Vertical Heads

7. ROLE OF THE FUNCTIONAL/VERTICAL HEADS OF THE DEPARTMENT

Heads of Department shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Risk Council.

8. POLICY REVIEW

This policy shall be reviewed periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity to ensure effectiveness and that its continued application and relevance to the business. Feedback on the implementation and the effectiveness of the policy will be obtained from the risk reporting process, internal audits, and other available information.

9. AMENDMENT

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors 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. 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.