SAHYADRI FARMS POST HARVEST CARE LTD.

RISK MANAGEMENT POLICY

POLICY DOCUMENT

1. INTRODUCTION

1.1. Overview

In recent years all sectors of the economy have focused on management of risk as the key to making organizations successful in delivering their objectives whilst protecting the interests of their stakeholders. Risk may be defined as an event, action or inaction the outcome of which is uncertain and may have a bearing on the achievement of its desired goals and objectives.

Risk management is a holistic, integrated, structured and disciplined approach to managing risks with the objective of maximizing shareholder's value. It aligns strategy, processes, people & culture, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value. Effective risk management allows an organization to:

1. have increased confidence in achieving its desired goals and objectives;
2. effectively constrain threats to acceptable levels;
3. take informed decisions about exploiting opportunities; and

Never before has effective management of business risk been so critical to achieve positive results and to enhance corporate reputation, as it is today. It has been seen that although significant risks are often known in some parts of the company, those risks may not have come to the attention of the right people at the right time.

Sahyadri Farms Post Harvest Care Limited (SFPHCL) realizes the need to better understand, anticipate and mitigate business risks in order to minimize the frequency and impact of risks. As the Company contends with the new responsibility for risk management, it is looking for greater assurance that there is a system in place, with well-documented, effective mitigation plans and accountability, which provides relevant information for decision making to the appropriate people in a timely manner.

A robust risk management framework has therefore been developed which is benchmarked with the leading global risk management standards and guidance available. In doing so the focus has been to have a framework that is simple and practical, which:

1. Allows a clear and concise view of risks;
2. Prioritize risks that matter ('RTM') ;
3. Put in place appropriate mitigation plans to manage the RTMs

This Framework will continue to evolve and mature as risk management is implemented in the Organization and experience is gained. It is expected to be reviewed and amended on a regular basis to ensure its ongoing relevance and viability.

Risk Management is everyone's responsibility and needs to form part of every decision making and monitoring process at SFPHCL. The Risk Management Policy thus aims at outlining the framework adopted by SFPHCL to assess and mitigate the impact of risks and report to the top management and the Board of Directors on the risk assessment and minimization procedures.

1.2. Guiding Principles for the Risk Management Framework

The company's attitude to risk is based on the following key ***principles***:

1. **Shareholder value based:** Risk management will be focused on sustaining the creation of shareholder value and protecting the same against erosion.

2. **Embedded:** Risk management will be embedded in existing business processes to facilitate management of risks across processes on an ongoing basis.

3. ***Supported and Assured:*** Risk management will provide support in establishing appropriate processes to ensure that current risks are being managed appropriately and assurance is provided to the relevant stakeholders over the effectiveness of these processes.

4. ***Reviewed:*** The effectiveness of the risk management program will be reviewed on a regular basis to ensure its relevancy in a dynamic and changing business environment.

1.3. The Risk Management Framework

The components of risk management are different for different companies and are defined by the company's business model and strategies, organizational structure, culture, risk appetite and dedicated resources. It is not a standard "fit-all" solution. An effective risk management framework requires consistent processes for assessment, mitigation, monitoring and communication of risk issues across the organization. Essential to this process is its alignment with corporate direction and objectives, specifically strategic planning and annual business planning processes.

Risk management is a continuous and evolving process, which has to integrate with the culture of the organization over time. It would then get embedded in the strategy for attaining tactical and operational objectives such that each manager and employee in the system is assigned responsibility for management of risk as a part of their job description. It would then support accountability, performance measurement and reward, and thus promote overall efficiency at all levels.

The framework will help in creating an environment in which risk management is consistently practiced across the Company and where Management can take informed decisions to reduce the possibility of surprises.

The objective of the Risk Management Framework is to formalize and communicate SFPHCL's approach to the management of risk. It will have the following attributes:

1 Responds to the Executive Management's need for enhanced risk information and improved governance;
2 Provides the ability to prioritize, manage and monitor the increasingly complex risks in the business;
3 Provides an explicit, comprehensive process to satisfy the regulators, and other stakeholders, that significant risks are being effectively managed.

An effective Risk Management Framework comprises of:
1 Risk management process; and
2 Risk management structure.

Below is a diagrammatic representation of the Framework.

Risk Management Process

An effective risk management process consists of 3 broad level steps:
1 Risk Assessment and Reporting;
2 Risk Mitigation; and
3 Risk Monitoring and Assurance

Risk Management Structure

The risk management process has to be supported by a risk management structure which primarily comprises of:

1. Roles and responsibilities
2. Risk management activity calendar

1.4. The Risk Management Approach at SFPHCL.

This section illustrates how SFPHCL seeks to deploy Risk Management across the Company to address risks. The Company operates through independent business units/segments supported by a core set of centralized Functions (Corporate). Risks are controlled through business decisions and operations. These are in turn driven by the business units and the centralized Functions. SFPHCL follows both a top down and bottoms up approach for identifying and managing risks.

1.5. The Risk Management Organization at SFPHCL.

At the Corporate level, a Corporate Risk Management Committee (CRMC) would be created comprising one or more of the Board members and designated Senior Management. The CRMC would take active responsibility for implementation and review of the Risk Management initiative at SFPHCL.

For detailed roles and responsibilities of each of the above, please refer to Section 3.1

2. RISK MANAGEMENT PROCESS

Effective risk management process requires consistent assessment, mitigation, monitoring and reporting of risk issues across the full breadth of the enterprise. Essential to this process is a well-defined methodology for determining corporate direction and objectives. The entire process will be aligned with annual budgeting processes and each function would be required to present the results of risk management exercise as a part of their respective budget presentation.

The risk management process consists of 3 steps:

1. Risk Assessment and Reporting;
2. Risk Mitigation; and
3. Risk Monitoring and Assurance.

2.1. Risk Assessment

Risk assessment is defined as the process of identification, prioritization and analysis of risks. An effective risk assessment requires a common risk language and a continuous process for identifying and measuring risks. These elements need to be applied consistently across the organization to understand the nature of the prioritized risks and their impact on business objectives, strategies and performance.

Risk assessment is an on-going systematic process to be carried out at periodic intervals. It consists of the following activities:

1. Risk identification; and
2. Risk prioritization based on standard rating criteria
3. Risk Reporting

The entire process would be supported by enablers listed below:

1. **Risk Classification Framework**;
2. **Risk Rating Criteria**; and
3. **Risk Event Listing (Risk library)**
4. **Emerging Risk Log**

2.1.1. Risk identification

Overview and guidance

In order to manage risks an organization needs to know what risks it faces. Risk identification captures the significant risks that may have an adverse impact on the organization's objectives and is the first step in building the organization's risk profile. In this regard, the focus would be on strategic, operational, compliance, financial and project risks that may have an impact on the ability of SFPHCL (Entity and BU level) to achieve its objectives. In stating risks, care should be taken:

1. to avoid stating impacts which may arise as being the risks themselves; and
2. to avoid stating risks which do not have an impact on the objectives.

Equal care should be taken to avoid defining risks with statements, which are simply the converse of the objectives. A statement of a risk should encompass the cause of the impact, and the impact to the objective, which might arise.

Approach for implementation

Risk identification will be done by involving personnel at the senior and middle management level of all key functions at SFPHCL, to achieve a holistic view of risks. The entire activity of risk identification will be managed by the Corporate Risk Management Coordinator ('CRMCO').

The frequency for conducting risk identification will be as follows:

i. Annual risk identification

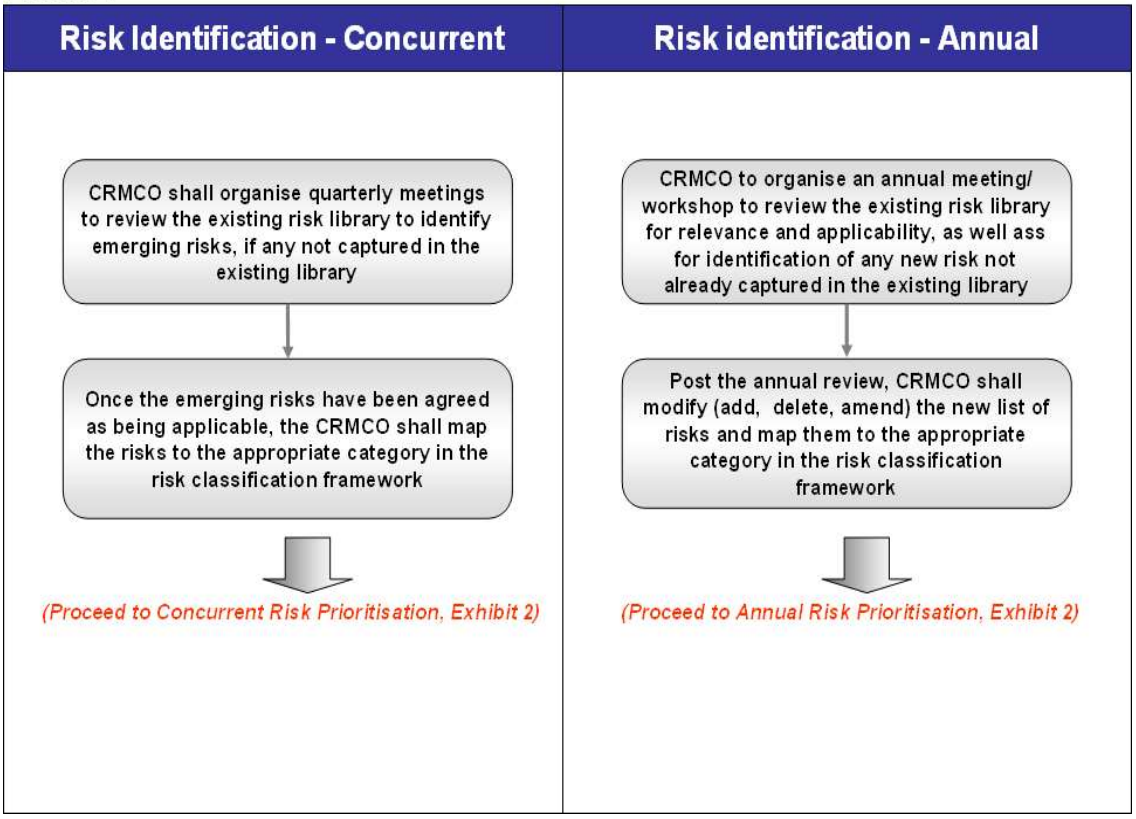
In this process the existing risks identified for the business will be updated (addition/ deletion/ modification) based on discussions with key personnel. This activity shall be carried out once a year, preferably as part of the annual budgeting/planning exercise. The identified risks will be mapped to the appropriate risk category in the risk classification framework (Refer 2.1.4 (a))

ii. Concurrent risk identification

Occurrence of risks can never be predicted. However, it is imperative for the success of risk management that any risk which has emerged post the annual risk identification exercise is flagged off to the CRMC and senior management team for deliberation and initiation of action in line with the risk management process. These risks can be identified across the organization by maintaining an "emerging Risk Log" (Refer 2.1.4(d)). This activity shall be carried out once a quarter. The identified risks will be mapped to the appropriate risk category in the risk classification framework (Refer 2.1.4 (a))]

The following is a workflow indicating the major tasks to be conducted for risk identification phase:

Exhibit 1


Risk Identification - Concurrent
CRMCO shall organise quarterly meetings to review the existing risk library to identify emerging risks, if any not captured in the existing library
Once the emerging risks have been agreed as being applicable, the CRMCO shall map the risks to the appropriate category in the risk classification framework
(Proceed to Concurrent Risk Prioritisation, Exhibit 2)
Risk identification - Annual
CRMCO to organise an annual meeting/ workshop to review the existing risk library for relevance and applicability, as well ass for identification of any new risk not already captured in the existing library
Post the annual review, CRMCO shall modify (add, delete, amend) the new list of risks and map them to the appropriate category in the risk classification framework
(Proceed to Annual Risk Prioritisation, Exhibit 2)

2.1.2. Risk Prioritization

Overview and guidance

Risk prioritization is the process of rating the risks in order to identify those risks which may have the most significant impact on the achievement of the stated goals and objectives of the business. The identified risks shall be prioritized based on the following parameters:

i. ***Inherent risk rating –*** It highlights the intrinsic nature of the risk to the business in the current environment irrespective of the existence or effectiveness of plans to mitigate it. Inherent risk is derived based on the rating of the impact the risk can have on the stated business objectives and the probability of its occurrence. (Refer rating criteria 2.1.4 (b)). The simple average rating (after allocating all the votes) will be assigned to the consequence and probability for each risk and the inherent risk score will be computed as follows:

ii. ***Mitigation plan effectiveness rating*** – It is the rating assigned to the existing mitigation plans based on their operational efficiency in reducing either the impact of the risk or the probability of its occurrence. (Refer rating criteria 2.1.4 (b)). The simple average rating (after allocating all the votes) will be assigned to the mitigation plan effectiveness for each risk.

<u>Approach for implementation</u>

Risk prioritization will be done by involving personnel at the senior and middle management level of all key functions, to get an overall view of the criticality of the risk as well as the effectiveness of the existing plans to mitigate the risk. The entire activity of risk prioritization will be managed by the CMRCO.

The frequency for prioritizing risks will be as follows:

i. Annual risk prioritization:

In this process the finalized list of risks will be voted on by the identified personnel to determine their inherent risk rating and the effectiveness of the current mitigation plans. This activity shall be carried out after the annual risk identification exercise. Annual prioritization of the entity level risks would be done by the Corporate Risk Management Coordinator. Post compilation and analysis of the voting results the CRMCO shall compile the list of risk in order of priority, clearly identifying the RTMs.

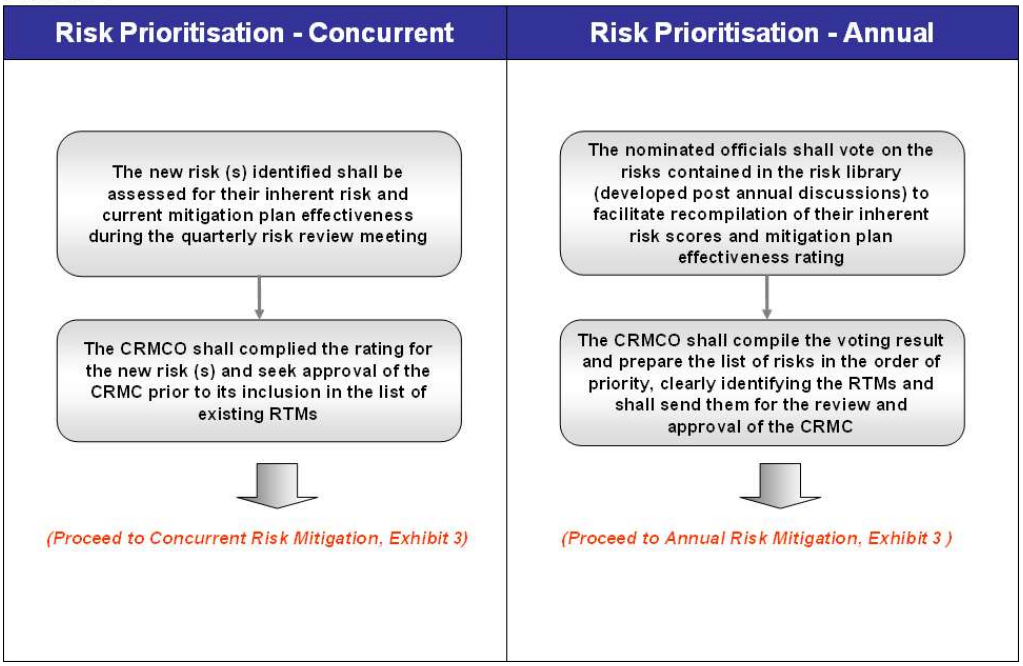
ii. Concurrent risk prioritization:

If new risks are identified as part of the quarterly risk review meetings, the participants shall vote on the risks to determine their inherent risk and the current effectiveness of the mitigation plans. The activity related to the compilation and analysis of voting result will be done by CRMCO, who shall then seek the approval of the CRMC before including the new risk in the existing list of RTMs.

The following is a workflow indicating the major tasks to be conducted for the risk

prioritization phase:

Exhibit 2



2.1.3. Risk Reporting

Overview and guidance

Reporting is an integral part of any process and critical from a monitoring perspective. Results of risk assessment need to be reported to all relevant stake holders for review, inputs and monitoring.

Approach for Implementation in SFPHCL:

The CRMCO would be required to prepare on a quarterly basis a report for the CRMC detailing the following:

1. List of applicable risks for the business, highlighting the new risks identified, if any and the action taken w.r.t the new risks;
2. Prioritized list of risks highlighting the 'Risk That Matter''
3. Root causes and mitigation plans for the RTMs; and
4. Status of effectiveness of implementation of mitigation plans for the RTMs for all the risks till date through the self-assessment process (see below).

The Corporate Risk Management Committee would be required to report to the Board of Directors on a quarterly basis the following:

1. An overview of the risk management process in place;
2. Key observations on the status of risk management activities in the quarter, including any new risks identified and action taken w.r.t these risks;
3. Status of effectiveness of implementation of the mitigation plan for RTMs

2.1.4. Enablers

a. Risk classification framework

In order to promote a common risk language, improved understanding of risks, and the ability to consolidate risk information across the Company, a risk classification framework has been developed, consisting of risk categories and sub categories.

The risk classification framework will continue to be updated with the specific categories and sub categories identified through various risk assessments and inputs received. Refer Annexure 1 for the risk classification framework.

b. Risk rating criteria

It is important to priorities the identified risk events to focus on those risks that have the most significant impact on the achievement of the stated goals and objectives of the business.

The risk rating criteria explains the basis on which the risk events will be prioritized. The rating criteria comprises of the following their aspects:

1. *Consequence* is defined as the level of impact that the potential risk can have on the achievement of business/functional objectives;
2. *Probability* is defined as the likelihood of occurrence of the potential risk;
3. *Mitigation plan effectiveness* is defined as the effectiveness of the existing controls for the risk in the business processes; and
4. *Inherent risk categorization grid* based on which the criticality rating (*critical, high, moderate or low*) will be assigned to the risk

Refer Annexure 2 for the risk rating criteria.

c. Risk event listing

All the risk events identified through one-time risk assessment process and emerging list log will be collated to form the risk event listing for each function. All risk events identified through the above processes will be tagged to the risk categories and sub categories of the Risk Universe. The risk event listing will lay the foundation towards development of risk profile and will be used for developing the risk surveys.

d. Emerging risk log

Emerging risk log is the list of all new/emerging risks, identified/reported by personnel across the organization. The log will be collated by the risk management coordinators on a bi-monthly basis and evaluated by the relevant function heads to identify the ones that will require mitigation initiatives.

The risk management coordinators will report the status of the log and function head's evaluations to the risk management committee on a bi-monthly basis. The risk management coordinators will also escalate the risk events which they believe to be critical and not prioritized by the function heads to the risk management committee.

2.2 Risk Mitigation

Overview and guidelines

Risk mitigation is the process to initiate responsive action for managing the critical risks and restricts them at a tolerable level. The entire process is broken down into the following activities:

i. Root cause analysis to identify the reasons/drivers for existence of the risk;
ii. Development of broad level mitigation plan with proper ownership and implementation timelines;
iii. Development of detailed action steps for implementation of the mitigation plans; and
iv. Identification of risk indicators, where possible, to monitor the effect of the risk.

Risk mitigation plans will be developed for the following categories of risks:

i. *'Top RTMs* - Mitigation plans will be developed for the Risks that Matter (RTM) or more or less as decided by the function head in discussion with RMC risks, based on the risk prioritization results; and
ii. *Other Critical and High Risks* - Mitigation plans will also be developed for other risks (outside the RTMs) decided by the function heads.

There are two categories of responsive actions that will be selected based on the criticality of the risk and effectiveness of the existing mitigation plans:

i. For the critical risks that are managed effectively, the existing mitigation plans/controls will be documented with ownership and monitored on a continuous basis; and
ii. For the critical risks that are not managed effectively, new mitigation plans will be developed to manage the risk and monitored on a continuous basis.

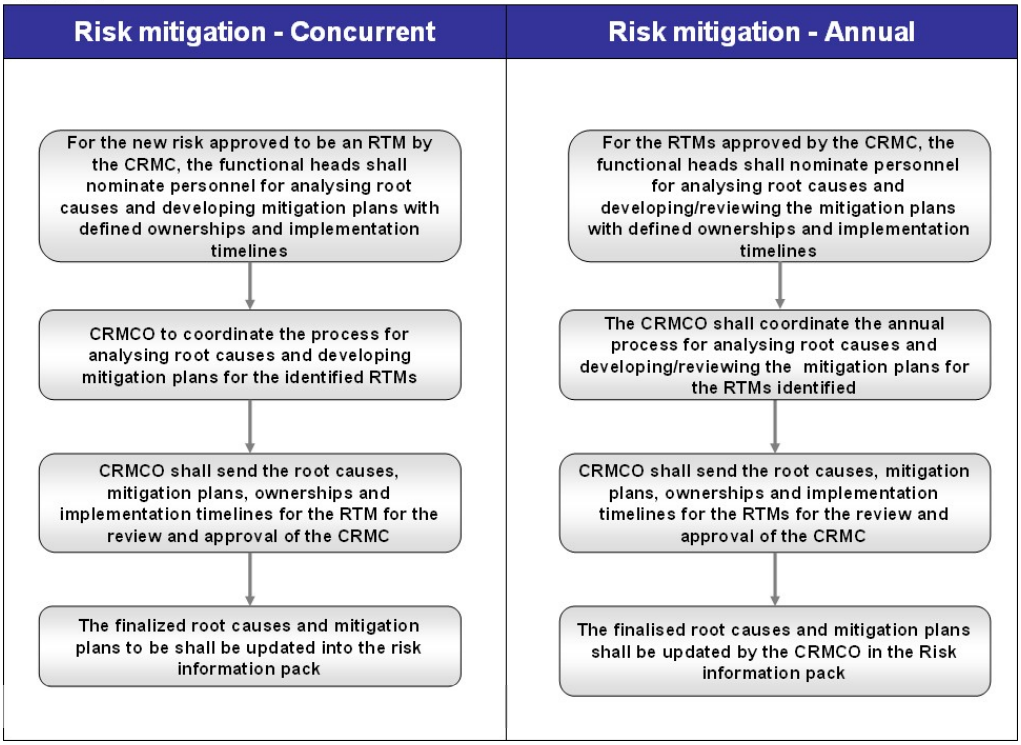
Approach for implementation in SFPHCL

In case of both the concurrent as well as annual risk mitigation exercise the functional heads shall nominate personnel with appropriate competency who will participate in the process for identification of root causes and development of mitigation plans. The CRMCO shall organize and manage the activity related to the identification of root causes and development of mitigation plans.

The following is a workflow indicating the major tasks to be conducted for the risk

mitigation phase:

Exhibit 3



2.3 Risk Monitoring and Assurance

Overview and guidelines

The risk monitoring and assurance process provides the assurance that there are appropriate controls in place for the risk management activities and that the procedures are understood and followed. Effective risk management requires a monitoring structure to ensure that the risk are effectively identified and assessed and the appropriate mitigation plans are in place.

A monitoring and assurance process will help to determine:

i. The adopted measures result in what was intended;
ii. The procedures adopted and information gathered for undertaking the assessment were appropriate; and
iii. Improved knowledge would help in reaching better decisions and identify what lessons should be learnt to improve future assessment and management of risks.

Approach Implementation in SFPHCL Monitoring

The risk management committee will be responsible for monitoring the self-assessment on bi-monthly basis. The mitigation owners will provide status on implementation of the new mitigation plans and self-assessment on the effectiveness of the implemented mitigation plans based on the self-assurance calendar. The risk management coordinators will collate all the status reports and the self-assessment reports to form the summary report delineating the following information:

- Mitigation plan(s);
- Effectiveness (what is result);
- Status on the implementation; and
- Reason(s) for non-implementation (if applicable).

The risk management coordinators will submit a detailed report, for corporate and each function to the:

1 Risk Management Committee;
2 Board of Directors;

Assurance:

Simultaneously there will be an assurance review to be carried out by the Internal Audit function to review the risk management processes and verify the efficacy of the self-assessment provided by the mitigation plan owners.

While making the annual internal audit plan the Internal Audit team will also allot time for risk management. They will work out a detailed assurance calendar aligned with the self-assessment calendar. Based on the assurance calendar the corporate internal audit team will identify the mitigation owners and mitigation plans to be reviewed in each cycle. And will review the self-assessment report submitted by the mitigation plan owners to verify the actual performance.

The risk management coordinators will collate all the self-assessment and assurance reports and submit a summary report to the risk management committee.

3. RISK MANAGEMENT STRUCTURE

3.1. Roles and Responsibilities

The Risk Management Organization at SFPHCL will comprise of the following:

A. Board of Directors (BoD);
B. Corporate Risk Management Committee ('CRMC')
C. Corporate Risk Management Coordinator ('CRMCO')
D. Risk Owners
E. Mitigation Plan Owners
F. Assurance

A. Board of Directors

The Board of Directors would review the risk assessment and minimization procedures across the Company after approval of the same by the CRMC.

B. Corporate Risk Management Committee

a. Overview

The CRMC would comprise of one or more of the Board members and designated Senior Management with overall responsibility of:

1 Providing direction to the Risk Management initiative at SFPHCL;
2 Review results of the risk identification, prioritization and mitigation plan development processes;
3 Review results of the identification, prioritization and mitigation plan development processes for the applicable risks reported by theCRMCO;
4 Review the quality of mitigation plans reported to assess appropriateness, and ensure that all risks are addressed;
5 Report to the Board of Directors, on the results of the risk identification prioritization and mitigation plan development processes across the Company.

The CRMC may consist of

1. MD
2. All Executive Directors
3. Chief Financial Officer

b. Roles and responsibilities

The specific roles and responsibilities of the Corporate Risk Management Committee across the various components of the Risk Management framework are detailed below:

Risk Assessment

1 Review the annual and quarterly results reported by the CRMCO on the risk identification and prioritization exercise and provide inputs;

Risk Mitigation

1 Review the mitigation plans developed along-with the root-causes, ownerships, timelines and status reported by the CRMCO; and
2 Seek clarifications and provide inputs on the mitigation plans to the CRMCO

Risk Reporting & Monitoring

1 Report to the Board on the status of the risk management within the Company on a quarterly basis.

Risk Management Structure

1 Review the performance of the CRMCO;

2 Review the need for additional risk management related activities across the Company and assign responsibilities.
3 Provide overall guidance related to the Risk Management processes across the company;

4 Review the Risk Management activity calendar to ensure compliance with the agreed processes and timelines.

C. Corporate Risk Management Coordinator

a. Overview

The Corporate Risk Management Coordinator ('CRMCO') would be responsible for coordinating and managing all the risk management activities and shall directly report into the CRMC.

b. Roles and responsibilities

The specific roles and responsibilities of the CRAMCO across the various components of the Risk Management framework are detailed below:

Risk identification and prioritization

1 Annual risk identification and prioritization

1 Facilitate the annual risk identification and prioritization exercise;
2 Provide guidance to the nominated personnel on the approach for risk identification;
3 Compile the risk library (including mapping of risks to the categories in the risk classification framework) based on the inputs received from the nominated personnel;
4 Finalize the risk library based on the inputs received from the CRMC;
5 Facilitate the session for prioritization of risks;
6 Compile the risk prioritization results and prepare the list of risks in the order of priority clearly identifying the RTMS
7 Send the identification and prioritization results to the CRMC for review and approval

3 Concurrent risk identification and prioritization

1 Organize and facilitate the quarterly risk review meetings;
2 Articulate any new risk identified as part of the meeting;
3 Obtain the prioritization ratings for the new risks and the current mitigation plan effectiveness rating from the participants;

4 Submit the new risks and the prioritization results for the review and approval of the Corporate Risk Management Committee;

C- Risk Mitigation

3 Annual risk mitigation

1 Initiate the annual mitigation exercise;
2 For the Risks That Matter, coordinate identification of root causes and development of the mitigation plans with the nominated personnel;
3 Submit the root causes and mitigation plans for the review and approval of the Corporate Risk Management Committee;
4 Update the root causes and mitigation plans for the RTMs in the Risk information pack

4 ***Concurrent risk mitigation***

1 Based on the quarterly risk review meetings, if any reportable risk is identified, co-ordinate development of mitigation plans for the same;
2 Submit the root causes and mitigation plan for the review and approval of the Corporate Risk Management Committee;
3 Update the finalised new risk (s) and mitigation plans in the Risk information pack

5 Risk Monitoring and Reporting

1 Generate self-assessment questionnaires for mitigation plan owners;
2 Send the self-assessment questionnaires to the respective mitigation plan owners;
3 Collate the results for the self-assessments;
4 Submit the compiled results to the Corporate Risk Management Committee for review and confirmation; and
5 Populate the updated mitigation plan ratings in the Risk information pack

D. Risk Owner

a. Overview

Each identified risk will be assigned one 'Risk Owner' who will have the overall responsibility for ensuring implementation of the mitigation plans developed with respect to 'risk assigned to him/her' by coordinating with the various Mitigation Plan Owners.

b. Roles and responsibilities

The specific roles and responsibilities of the Risk Owners across the various are detailed below:

- Participate in periodic risk assessment to determine overall mitigation effectiveness for risks owned and identify emerging risks

- Follow up with the Mitigation Plan Owners on the implementation of mitigation plans for owned risks
- Complete quarterly self-assessment exercises to report overall effectiveness status of mitigation plans based on the self-assessment ratings assigned by the various mitigation plan owners for the concerned risk

E. Mitigation Plan Owner

a. Overview

Each risk identified may be mitigated through one or more mitigation plans. Mitigation Plan Owners ('MPO') would be responsible for implementing the plans assigned to them and reporting the effectiveness of each mitigation plan to the concerned Risk Owner.

b. Roles and responsibilities

The MPO will be specifically responsible for the following:

- Implement mitigation plans assigned to them
- Complete quarterly self-assessment exercises to report status of effectiveness of mitigation plans
- Provide information and cooperation for identification of new risks

F. Assurance

a. Overview

SFPHCL believes in the integrity of its people and shall rely on their self-assessments with respect to risk management.

As an additional means of reassurance, the Risk Management Committee may direct the Assurance Team (Internal Audit team/ 3rd parties) to provide an independent report on the efficacy of risk management with respect to certain risks.

Accordingly, the Assurance shall seek inputs from the Risk Management Committee on the risks that it should consider for independent reporting and assurance as part of its Annual Audit Plan. Alternative means of assurance may be developed based on the directions of the Risk Management Committee.

b. Roles and responsibilities:

The Assurance will be specifically responsible for the following:

- Independent assurance on the efficacy of risk management in terms of:

- Extent of implementation of mitigation strategies and their efficacy
- Effectiveness of risk mitigation

- Report on a sample basis, review the accuracy of reporting on self-assessments
- Report on such matters as may be specifically directed by the Risk Management Committee

3.2. Risk Management Activity Calendar

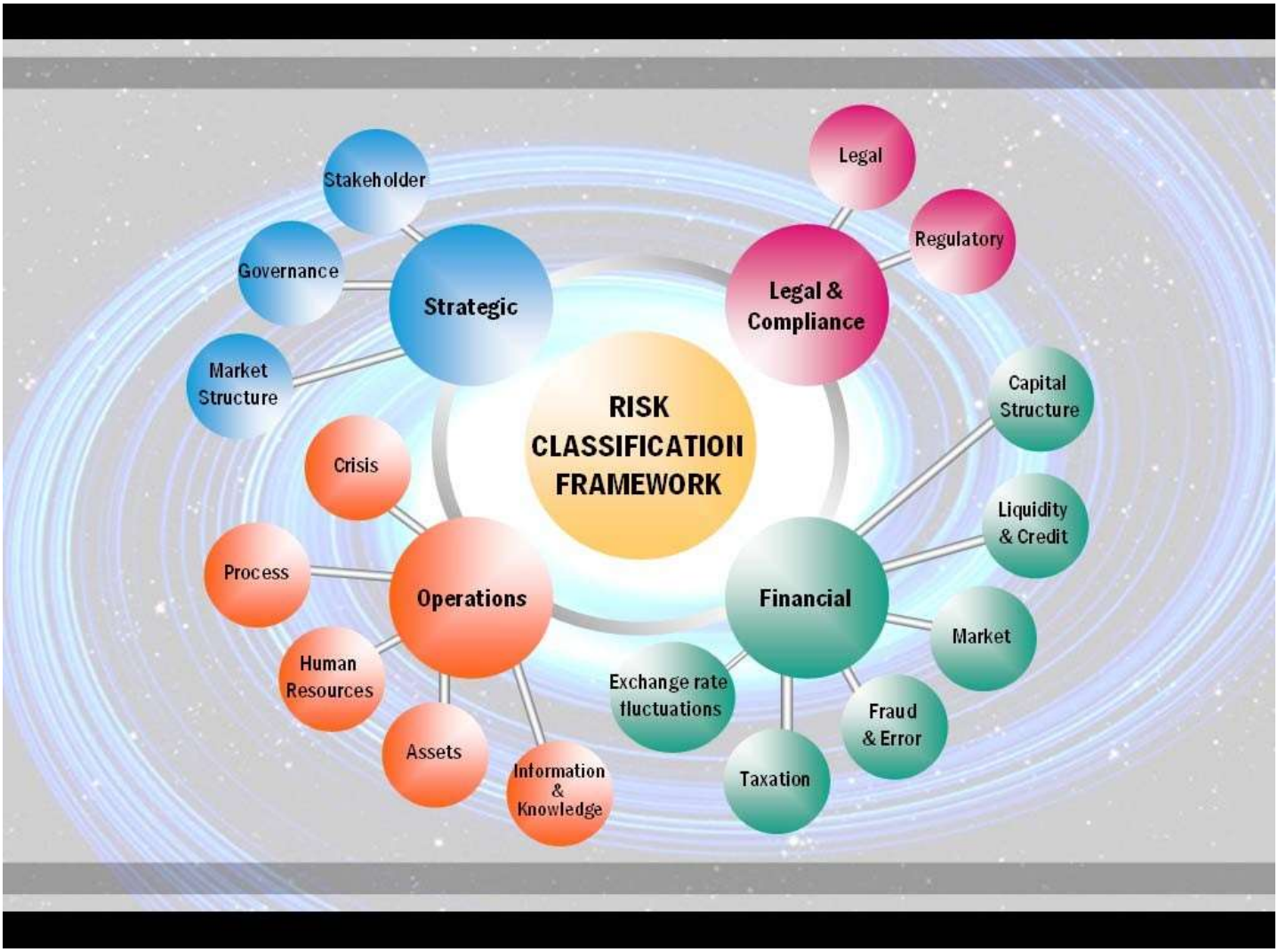
The risk management activity calendar shall be as follows:

Risk Management Activity Calendar

Process	Frequency	Suggested Timeline
Risk Assessment		
– Annual risk identification and Prioritisation	Annual	To coincide with the annual budgeting/Planning exercise
– Concurrent risk identification and Prioritisation	Quarterly	To be completed within 5 days from the end of every quarter (except quarter coinciding with annual assessment)
Risk Mitigation		
– Annual risk mitigation	Annual	To coincide with the annual budgeting/Planning exercise
– Concurrent risk mitigation	Quarterly	To be completed within 8 days from the end of every quarter (except quarter coinciding with annual assessment)
Risk Monitoring and Reporting		
– CMRC meeting to review annual risk assessment and mitigation results	Annual	To coincide with the annual budgeting/Planning exercise
– Roll out of self assessments for existing mitigation plans	Quarterly	To be completed within 5 days from the end of every quarter (except quarter coinciding with annual assessment)
– CMRC meeting to review quarterly risk assessment and mitigation results	Quarterly	To be completed within 10 days from the end of every quarter (except quarter coinciding with annual assessment)
– Board meetings to review the annual/quarterly risk management performance	Quarterly	To coincide with every Board meeting

ANNEXURES

Annexure 1: Risk Classification Framework



I STRATEGIC

The strategic focus of the organization is driven by the stakeholder expectations, industry outlook, market dynamics as well as the way the organization is governed and guided. This category covers the risks which may impact the strategic focus and future of the organization.

1) Stakeholders

Stakeholders of an organization usually comprise of its shareholders, customers, suppliers, business partners, the community in which it operates and the Government (including regulatory bodies). This category therefore covers the risks relating to shareholder confidence, changes in government policies, over-dependencies on Customers and Suppliers and ineffective business partnerships.

2) Governance

Governance signifies the way an organization is led and managed in the pursuit of its objectives. This category would cover risks, which may arise due to inappropriate strategic focus / direction or resource allocation, inadequacy of business monitoring, actions impacting the reputation of the company or the improper / immoral conduct of employees.

3) Market Structure

Market structure refers to the dynamics of the industry, country and economy in which the organization operates. This category would include risks arising due to adverse changes in the economic, political, social or competitive environment in which the organization operates as well as the its ability to influence the market structure.

II FINANCIAL

In the pursuit of its objectives a corporate raises and manages capital as well as protects its monetary resources. Financial risks include risks relating to the manner in which a corporate raises and manages its finances, plans its taxes and reduces uncertainty due to market movement of currency, interest rates and commodity prices. This category of risks also includes risks arising due to frauds and errors.

1) Capital Structure

Capital signifies the monetary resources an organization requires to sustain its operations and fuel its future expansion. This category would cover risks which may impact the organization's ability to acquire an appropriate and cost effective mix of such resources in line with its requirements

2) Liquidity & Credit

Availability of funds for day-to-day operations is a key requirement for the smooth functioning of an organization. This category would cover risks which may arise due to insufficient realizations and / or improper management of funds to further the current and future business objectives.

3) Market

Markets represent a buyer/seller network for the exchange of capital, credit ad resources. This category would include risks emanating from adverse commodity price changes, exchange rate movements and interest rate change.

4) Fraud & Error

A fraud involves the use of unjust or illegal means to gain financial advantage by intentional misstatements in, or omissions of amounts or disclosures from, an entity's accounting records or financial statements. It also includes actions, whether or not accompanied by

misstatements of accounting records or financial statements, committed for personal gains, whereas, an error is an unintentional misrepresentation of facts. This category would cover risks which an organization may face in the event of fraud or error, with or without collusion with external parties.

5) Taxation

Tax, cess or duty is a compulsory charge levied on the income, sales, property etc. of an organization. This category covers risks emanating from an inefficient structuring of business transactions (within the constraints of the applicable rules and regulations) from a taxation perspective (both direct and indirect), which may result in excessive financial outgoes or benefits not being availed.

6) Exchange rate fluctuations

Volatility in foreign exchange rates exposes the company to economic and accounting losses. This includes risks due to fluctuations in exchange rates, translation of trading assets and liabilities denominated in one currency to another, economic conditions of different countries which will in turn have impact on currencies of respective countries.

III OPERATIONS

Operations refer to the activities of the organization in harnessing its resources to execute its business model. This category of risks includes risks related to resources and processes which come together to create products and services that satisfy customers and help achieve the organization's quality, cost and time performance objectives.

1) Process
   An organization undertakes business processes to create products and services and deliver them to customers. This category includes those risks that arise due to inefficiencies in, or interruptions to, these processes.

2) Human Resources
   Employees and managers help manage the organization, leverage its assets and operate its business processes. This category includes risks related to inappropriateness of organization structure, inadequacies in training and development of employees, attrition, inadequate succession planning and lack of requisite knowledge, skills and attitude in the employees which may impact the successful execution of the organization's business model and achievement of critical business objectives.

3) Assets
   The assets of the organization are the physical and intellectual resources available to it which facilitate its business processes in the achievement of its objectives. This category includes risks which have an impact on the availability and value of the organization's assets including plant, property & equipment, IT systems and intellectual property.

4) Information & Knowledge
   In the course of business operations, an organization captures information and creates knowledge. Knowledge and informational risks are that category of risks that arise due to inefficient capturing, utilization and protection of knowledge.

5) Crisis
   Crisis emanating from natural calamities or manmade disasters are inherent in the business. Crisis risks cover risks that arise due to earthquake, floods, drought, terrorism, hostile community action and similar events as well as factors such as sabotage by employees, hostile government action and their implications resulting into business discontinuity, disruption of operations, loss of valuable customers etc.

IV LEGAL & COMPLIANCE

The organization operates in a legal and regulatory framework which imposes certain obligations on it and helps protects its rights. This category of risks includes risks which arise due to an organization not fulfilling its legal obligations or being unable to protect its rights.

1) Legal

Legal risks arise when an organization does not comply with its enforceable commitments to counterparties or is unable to enforce its rights against counterparties. These risks would include exposure of the organization to litigation or the inability to protect its rights through litigation, and exposure on account of inadequate representations and warranties from the third parties for fulfilling their obligations arising out of the legal agreements entered into with them.

2) Regulatory

Regulatory risks are the risks that arise on account of regulations imposed by government which may affect the organization's competitive position or its capacity to efficiently conduct business. This category also includes the risks of penalties and prosecution which may arise on regulatory non- compliance.

Annexure 2: Risk Rating Criteria

Rating Criteria - Consequence

Score	Rating	Qualitative
		Description
25	Critical	**Inability to achieve business objectives, e.g.** ▪ Loss of significant business capability ▪ Massive reduction in company reputation with stakeholders ▪ Excessive costs dramatically impacting long term profitability and viability ▪ Inability to retain a significant portion of customers/inability to attract new customers ▪ Significant operational losses leading to significant reduction of market value
20	High	**Constrained ability to achieve business objectives, e.g.** ▪ Significant but recoverable reduction in company credibility and/or reputation ▪ Significant reduction in service and business capability ▪ Incurring excessive costs that impact current earnings and profitability ▪ Loss or misappropriation of significant assets ▪ Loss of significant number of key personnel ▪ Significant Downgrading of financial rating
15	Moderate	**Moderate impact on achievement of business objectives, e.g.** ▪ Loss of high value customers or alliances, customer loyalty and sales opportunities ▪ Temporary loss of service or business capability ▪ Temporary, but recoverable reduction in credibility/reputation ▪ Short term increase in costs or loss of revenue
10	Low	**Limited impact on the achievement of business objectives, e.g.** ▪ Temporary delay in reaching objectives ▪ Short term or limited reputation damage ▪ Limited impact on customer retention ▪ Limited increase in costs ▪ Minimal impact to revenue or earnings
5	Minor	**Relatively insignificant impact on the achievement of business objectives.**

Annexure 2: Risk Rating Criteria

Rating Criteria - Probability

Score	Rating	Probability of the risk to occur and lead to assessed consequences		
		Occurrence in future	Percentage chance	Occurrence in the past
25	Expected	Very High, will be almost a routine feature every month within the immediate next year	Over 80%	Similar instances have commonly occurred every month in the past
20	Highly Likely	High, may arise several times within the immediate next year	50% to 80%	Similar instances have occurred several times in the past year
15	Likely	Possible, may arise once or twice within the immediate next year	**10% to 49%**	There have been 1 or 2 similar instances in the past year
10	Not Likely	May occur once or twice between year 2 (from now) to 5 years	**5% to 9%**	Though not routinely, but there have been similar instances in the last 2 to 5 years
5	Slight	Not likely, almost impossible to occur between year 2 (from now) to 5 years	less than 5%	Similar instances have never occurred in the past

*The Policy was approved by Board of Directors in the board meeting held on January 24, 2024.