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## RISK MANAGEMENT POLICY

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**THE SANDESH LIMITED**

(CIN: L22121GJ1943PLC000183)

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## **OBJECTIVE:**

In terms of Section 134 of the Companies Act, 2013 (the Act), the Board's Report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

Further, Section 177 of the Act requires that the Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall, inter alia, include evaluation of risk management systems.

As per Schedule IV to the Act, the Independent Directors should satisfy themselves that systems of risk management are robust and defensible.

This Risk Management Policy aims to define the guiding principles of the Risk Management.

## **CONSIDERATION OF RISK MANAGEMENT AND ITS IMPLEMENTATION:**

The Board of the Company, executives, internal auditors and independent directors, must assess risks arising from external factors while laying down the risk management process and systems.

The Management of the Company has to implement risk management process across all the departments and ensure that every employee take up the responsibility of risk management and its mitigation.

Risk Management Process:

- a) Plan Action
- b) Monitor and implement
- c) Measure and control
- d) Identify
- e) Assess and analyze

## **PRINCIPLES OF RISK MANAGEMENT:**

- ✓ create value – resources expended to mitigate risk should be less than the consequence of inaction, or (as in value engineering), the gain should exceed the pain
- ✓ be an integral part of organizational processes
- ✓ be part of decision making process

- ✓ explicitly address uncertainty and assumptions
- ✓ be systematic and structured
- ✓ be based on the best available information
- ✓ be tailorable
- ✓ take human factors into account
- ✓ be transparent and inclusive
- ✓ be dynamic, iterative and responsive to change
- ✓ be capable of continual improvement and enhancement
- ✓ be continually or periodically re-assessed.

#### **RESPONSIBILITIES IN RISK MANAGEMENT PROCESS:**

Managing Director / CEO: MD/CEO shall ensure the effective implementation of risk management framework and process. MD/CEO shall also ensure ongoing risk assessment of risks and that the risk management process is sustained across the Company.

Risk Management Committee: RMC would define the risk management policy. It will promote, implement and monitor the risk management policy and related strategies.

Audit committee: Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall, inter alia, include evaluation of risk management systems.

Every employee is a Risk Manager: Every employee of the Company is the risk management process owner and also responsible to ensure the implementation and compliance with the risk management policy laid down by the Company.

#### **CLASSIFICATION OF RISKS:**

- ✓ Financial Risk
- ✓ Compliance Risk
- ✓ Strategic Risk
- ✓ Operational Risk
- ✓ Reputation Risk
- ✓ Market Risks
- ✓ Political Risks
- ✓ Credit Risks
- ✓ Liquidity Risks
- ✓ Disaster Risks
- ✓ Systems Risks
- ✓ Legal Risks

### **MITIGATION AND MANAGEMENT – PROCESS AND PROCEDURES:**

To enable effective risk management and internal control activities, the Company must have a well-established framework that serves as a foundation to align multiple functions, processes and activities and to achieve the appropriate degree of coordinated coverage and oversight.

The three primary components of a risk management framework will include Governance, People and Process. Following are important points for consideration:

1. Non-performance of a concerned person would carry a risk.
2. Risk mitigation by having other party to accept the risk by contract or otherwise.
3. Implement process which would help in reduction of risks and losses.
4. Risk retention may be a viable strategy for certain types of risks.
5. Reporting for risks will outline the risk level, exposure, expected consequences and actions taken for its mitigation.

### **RISK MANAGEMENT COMMITTEE:**

The Company may constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

The Board of Directors may constitute a Risk Management Committee consisting of:

1. Board Members who would be Members of Committee
2. Chief Financial Officer
3. Representatives of Internal Auditor
4. Executive Managers

### **REVIEW BY BOARD:**

The Board will, as and when required, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the objectives and applicable laws.