SOBHAGYA MERCANTILE LIMITED

RISK MANAGEMENT POLICY

1. PREAMBLE

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities.

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the corporate environment.

Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. DEFINITION

"**Policy**" means Risk Management Policy.

3. OBJECTIVE & PURPOSE OF POLICY

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

- To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e to ensure adequate systems for risk management.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.
- To create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities.
- Contributing towards more efficient use/ allocation of the resources within the organization.

4. RISK MANAGEMENT FRAMEWORK

The Company has designed a dynamic risk management framework to manage its risks effectively and efficiently, so as to meet its business objectives.

The Company's approach to risk management is summarized below:

1. **Risk Assessment**: Process of identification, analysis and prioritisation 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 all key divisions, units and functions within the organization to understand the nature of the prioritised risks and their impact on business objectives, strategies and performance. Rating of the risks is done on the basis of Probability & Impact on EBITDA/ cash flows, wherever quantifiable.

2. **Risk Mitigation**: Risk mitigation involves selecting one or more options for responding to the risks and implementing those options. It includes selecting risk mitigation strategy and measuring the effectiveness of mitigation plan developed.

3.**Risk Monitoring & Reporting**: 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.

5. RISK PROFILE

The identification and effective management of risks is critical in achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

- **External Risks**: are risks beyond the control of the organisation. These are risks faced due to external conditions in which the business operates (e.g. Natural disasters, Terrorism etc.)

- **Strategic Risks**: are associated with the primary long-term purpose, objectives and direction of the business. These risks may arise from the actions of other participants in the marketplace and/or the opportunities selected and decisions made by the business.

- **Compliance Risks**: are associated with non-conformance or inability to comply with the applicable rules and regulations

- **Operational Risks**: are associated with the on-going, day-to-day operation of the business. These include the risks concerned with the business processes employed to meet the objectives

- **Financial Risks**: are related specifically to the processes, techniques and instruments utilised to manage the finances of the organisation, as well as those processes involved in sustaining effective financial relationships with customers and third parties

- **Knowledge Risks**: are associated with the management and protection of knowledge and information including Cyber Security

6. RISK OVERSIGHT

The Company has laid down well defined procedures for its various activities. All the operations and transactions in the Company are carried out in accordance with applicable rules & regulations, Company's Policies and Standard Operating procedures so as to assess the risk, if any, associated with such operations / transactions and minimize the same.

7. BACK GROUND AND IMPLEMENTATION

- The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

- The Board of Directors of the Company and the Audit Committee will periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.
- Senior Management /Head of Departments will be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

8. CONSTITUTION OF RISK MANAGEMENT COMMITTEE

- The majority of Committee shall consist of members of the Board of Directors. Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.
- The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

9. ROLE OF THE BOARD

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk— management plan for the company.
- 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 fun as it may deem fit.
- Ensure that the appropriate systems for risk management are in place.
- The independent directors will help in bringing an independent judgment to bears on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic— risks;
- Be satisfied that processes and controls are in place for managing less— significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any— delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

10. GENERAL

The decision of the Board of Directors of the Company with regard to any or all matters relating to this policy shall be final and binding on all concerned. The Board of Directors of the Company shall have the power to modify, amend or replace this policy in part or full as may be thought fit from time to time in their absolute discretion.