SMPP LIMITED

RISK MANAGEMENT POLICY

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1. PREAMBLE

Section 134(3)(n) of the Companies Act, 2013 requires that the report by the Board of Directors laid at the general meeting shall include a statement on the development and implementation of a risk management policy for the company.

Section 177(4)(vii) of the Companies Act, 2013 providesthat Audit Committee shall evaluate the internal financial controls and risk management systems of the company.

Regulation 17(9) (a) and 21 of SEBI (Listing Obligation and DisclosureRequirements) Regulations, 2015, inter alia, mandates laying down the procedures for risk assessment and minimization. Further Regulation 17(9)(b) of the Securities and Exchange Boardof India (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides the Boardof Directors ("the Board") shall be responsible for framing, implementing and monitoring the risk management plan for the company.

The Board of SMPP Limited ("the Company") has adopted the following policy and the Board/ Risk Management committee may amend this policy from time to time.

2. DEFINITIONS

"Risk" means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.

"Risk Management" is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

"Senior Management" means officers/personnel of the Company who are members of its core management team comprising all members of management one level below the executive directors, including the functional heads and shall specifically include company secretary and Chief Financial officer.

"Audit Committee" means the Audit Committee constituted by the Board of Directors of the Company under Section 177 of the Companies Act, 2013, as amended and Regulation 18 of ListingRegulations, 2015, as amended from time to time.

"Risk Management Committee" means the Committee formed by the Board in accordance with Regulation 21 of Listing Regulations, 2015.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to themin the SEBI Listing Regulations, or the Companies Act, 2013 and rules and regulations made thereunder

3. OBJECTIVE AND PURPOSE

In line with the Company's objective towards increasing stakeholder value, a risk management policy has been framed, which attempts to identify the key events/ risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks. Company's objects also include ensuring that appropriate methodology, processes and systems are in place to monitor and evaluaterisks 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.

4. POLICY STATEMENT

The Company is committed to develop an integrated Risk Management Framework:

- To achieve the strategic objective while ensuring appropriate management of risks.
- To ensure protection of stakeholder's value.
- To provide clear & strong basis for informed decision making at all levels of the Company.
- To strive towards strengthening the Risk Management System through continuous learning & improvement.

Every employee of the Company is recognized as having role in risk management for identificationof risk to treatment and shall be invited & encouraged to participate in the process.

Risk Management Committee to determine key Risks, communicatePolicy, objectives, procedures & guidelines and to direct & monitor implementation, practice & performance throughout the Company.

The Audit Committee & the Board will review the policy & procedures periodically.

5. SCOPE AND EXTENT OF APPLICATION

The policy guidelines are devised in the context of the present business profile, future growth objectives and new business endeavors/ services that may be necessary to achieve the goals & theemerging global standards & best practices amongst the comparable organizations. This policy covers all the events within the Company & events outside the Company which have a bearing on the Company's business.

6. ROLES AND RESPONSIBILITIES

The Board/ Risk Management Committee shall be responsible for framing, implementing and monitoring the risk management policy for the company. The Audit Committee should ensure that adequate risk management systems exist. The Audit Committee shall review of risk management systems on an annual basis
The role of the committee shall, inter alia, include the following:

a. To ensure that appropriate methodology, processes, and systems are in place to monitor and evaluate risks associated with the business of the Company;
b. To monitor and oversee the implementation of the risk management policy, including evaluating the adequacy of risk management systems;
c. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
d. To keep the board of directors informed about the nature and content of its discussions, recommendations, and actions to be taken;
e. The appointment, removal, and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

7. RISK MANAGEMENT FRAMEWORK

Risk management will protect and add value to the Company and its stakeholders through supporting the Company's objectives by improving decision-making, planning and prioritization by comprehensive and structured understanding of business activity, volatility, and project opportunity/threat.

It will provide a framework that enables future activity to take place in a consistent and controlled manner. 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 components of risk management are defined by the Company's business model and strategies, organizational structure, culture, risk category and dedicated resources. An effective risk management framework requires consistent processes for assessment, mitigation, monitoring andcommunication of risk issues across the Company. 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 integrates with the culture of the Company.

An effective Risk Management Framework comprises of:

- Risk management process - can be defined as the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities; and

- Risk management organization structure - the risk management process has to be supported by a risk management structure which primarily comprises of:
  - Team structure of the Risk Management Function
  - Roles and Responsibilities
  - Risk management activity calendar

8. RISK MANAGEMENT PROCESS

Effective risk management process requires continuous & 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. Hence,an enterprise wide and comprehensive view will be taken of risk management to address risks inherent to strategy, operations, finance and compliance and their resulting organizational impact.

The risk management process adopted by the Company has been tailored to its business processes. Broadly categorizing, the process consists of the following stages/steps:

- Establishing the External Context
- Risk Assessment (identification, analysis & evaluation)
- Risk Treatment (mitigation plan)
- Monitoring, review, and reporting
- Communication and consultation

A. ESTABLISHING THE CONTEXT

Articulate the objectives and define the external and internal parameters to be taken into account when managing risk and set the scope and risk criteria for the remaining process.

- **Establishing the External Context**

  Understanding the external context is important in order to ensure that the objectives and concernsof external stakeholders are considered when developing risk criteria. It is based on the organization wide context, but with specific details of legal and regulatory requirements, stakeholder perceptions and other aspects of risks specific to the scope of the risk management process. The external context can include, but is not limited to:
  - The social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local, environmental, pandemic, communal;
  - Key drivers and trends having impact on the objectives of the Company; and
  - Relationships with perceptions and values of external stakeholders.

- **Establishing the Internal Context**

  The risk management process should be aligned with the Company's culture, processes, structure,and strategy. Internal context is anything within the Company that can influence the way risks willbe managed. It is necessary to understand the internal context. This can include, but is not limited to:

  - Governance, organizational structure, roles and accountabilities;
  - Policies, objectives, and the strategies that are in place to achieve them;
  - Capabilities, understood in terms of resources and knowledge (e.g., capital, time, people, processes, systems and technologies);
  - The relationships with and perceptions and values of internal stakeholders; the Company's culture;
  - Information systems, information flows and decision-making processes (both formal and informal);
  - Standards, guidelines and models adopted by the organization
  - Ethics and values

B. RISK ASSESSMENT

The Risk assessment is the overall process of the following phases:

- **Risk Identification**

  Current and Potential risk identification includes all internal and external risks specifically faced by the Company, which inter alia includes financial, operational, legal & Regulatory, sectoral, sustainability (particularly, ESG (Environmental, social, governance) related risks), information, cyber security risks, socio cultural, political and economic policies, ethics and values , governanceor any other risk as may be determined by the risk Management Committee. All events that can have an adverse impact on the achievement of the business objectives, will be treated as risk associated with business. All Head of Departments/ Senior Managers shall identify all possible risks associated with their area of operation and report the same to

Managing Director, CFO or Company Secretary. All identified risks will be documented for evaluation.

- **Risk Assessment**

“Risk Assessment” means the overall process of risk analysis and evaluation. It includes the determination of the impact, if the risk occurs, on the business / likelihood of the risk occurrence.All identified risks. Shall be evaluated periodically by KMP/Senior Management led by Managing Director& Chief executive officer.

Each identified risk is assessed on two factors which determine the risk exposure:

a) Potential impact if the event occurs; and
b) Likelihood of the occurrence/ re-occurrence of the event.

ii. After taking into account the existing controls, the risks are assessed to ascertain the current level of risk.

iii. Based on the above assessments, each of the risks shall be categorized as – Low, Medium, and High.

- **Risk Mitigation**

The following framework shall be used for implementation of Risk Mitigation. All identified Risks should be mitigated using any of the following Risk mitigation plan.

- Risk avoidance: By not performing an activity that could carry risk. Risk avoidance may have the impact of the potential loss to the company.
- Risk transfer: Mitigation by having another party to accept the Risk, either partial or total, typically by contract or by hedging / Insurance.
- Risk reduction: Employing methods/solutions that reduce the severity of the loss.
- Risk retention: Accepting the loss when it occurs. Risk retention is a viable strategy only for small risks.

C. <u>RISK TREATMENT</u>

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls.

Risk treatment involves a cyclical process of:

- Assessing a risk treatment;
- Deciding whether residual risk levels are tolerable;
- If not tolerable, generating a new risk treatment; and
- Assessing the effectiveness of that treatment.

Based on the Risk level, the Company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances.

Following framework shall be used for risk treatment:

- Avoidance (eliminate, withdraw from, or not become involved)

- As the name suggests, risk avoidance implies not to start or continue with the activity that gives rise to the risk.
- Reduction (optimize – mitigate)
- Risk reduction or “optimization” involves reducing the severity of the loss or the likelihood of the loss from occurring. Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.
- Sharing (transfer – outsource or insure)
- Sharing, with another party, the burden of loss or the benefit of gain, from a risk.
- Retention (accept and budget)
- Involves accepting the loss, or benefit of gain, from a risk when it occurs. Risk retention is a viable strategy for risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against, or the premiums would be infeasible. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the Company too much.

D. MONITORING AND REVIEW

In order to ensure that risk management is effective and continues to support Companies performance, processes shall be established to:

- Measure risk management performance against the key risk indicators, which areperiodically reviewed for appropriateness.
- Periodically measure progress against, and deviation from, the risk management plan;
- Periodically review whether the risk management framework, policy and plan are still appropriate, given the Companies external and internal context;
- Report on risk, progress with the risk management plan and how well the risk managementpolicy is being followed;
- Periodically review the effectiveness of the risk management framework;
- Structured scientific and analytical tools may be used for this purpose.

E. COMMUNICATION AND CONSULTATION

Communication and consultation with external and internal stakeholders should take place duringall stages of the risk management process. Therefore, plans for communication and consultation should be developed at an early stage. These should address issues relating to the risk itself, its causes, its consequences (if known), and the measures being taken to treat it. Effective external and internal communication and consultation should take place to ensure that those accountable for implementing the risk management process and stakeholders understand the basis on which decisions are made, and the reasons why particular actions are required.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

9. RISK REPORTING

All identified risks, with analysis, evaluation, and risk mitigation plan should be reported to risk Management Committee periodically, for their review and recommendations. The Risk Management Committee shall meet at least twice in a year. The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secureattendance of outsiders with relevant expertise, if it considers necessary.

10. RISK MANAGEMENT ORGANISATION STRUCTURE

a) Board of Directors

The Board, through the Audit Committee shall oversee the establishment and implementation of an adequate system of risk management across the company. Board shall comprehensively reviewthe effectiveness of the Company's risk management system on an annual basis.

b) Audit Committee

The Audit Committee would review the risk assessment & minimization procedures across the Company after review of the same by the Risk Management Committee. The Audit Committee will assist the Board in independently assessing compliance with risk management practices. It will also act as a forum to discuss and manage key risks.

c) Risk Management Committee:

i) Risk Management Committee shall assist the Board in framing policy, guiding implementation, monitoring, and reviewing the effectiveness of risk management policy and practices. The Committee shall act as a forum to discussand manage key strategic and business risks.
ii) Risk management committee shall prepare business continuity plan
iii) The RMC shall have minimum three members with majority of them being membersof the board of directors, including at least one independent director;
iv) The Chairperson of the RMC shall be a member of the board of directors and seniorexecutives of the listed entity may be members of the committee;
v) The RMC is chaired by an Independent Director and it shall meet at least twice in ayear or at such intervals as may be required by the applicable law on the Company.

d) Meetings

i) The quorum for a meeting of the Committee shall be either two members or one third of the membersof the Committee, whichever is higher, including at least one member of the board of directors in attendance;
ii) The meetings of the Committee shall be conducted in such a manner that on a continuousbasis not more than two hundred and ten days shall elapse between any two consecutive meetings; and
iii) The board of directors shall define the role and responsibility of the RMC and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.

e) Internal Auditor

Key responsibilities of Internal Auditor related to risk management shall include:

i) Implement a risk-based approach to planning and executing the internal audit process.
ii) Internal audit resources to be directed at those areas which are key and/or significant as brought out periodically through the risk management process.

11. BROAD PRINCIPLES

The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz.Environmental, Business, Operational, Financial and others. Communication of Risk ManagementStrategy to various levels of management for effective implementation is essential.

Risk Identification should start will all vertical and functional heads who with the inputs from theirteam members are required to report the material risks to the RMC along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Chairman/Managing Director through participation of the vertical/functional heads and a preliminary report thus finalized shallbe placed before the Risk and Audit Committee.

12. BOARD APPROVAL

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

13. REVIEW OF THIS POLICY

I. .This policy is framed pursuant to the provisions of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 and in compliance with provisions of Companies Act, 2013.

II. In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Risk Management Committee periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

14. BUSINESS CONTINUITY PLAN

The Company to indicate development of such plans in its risk management policy. The plan should cover recovery plans in the event of any major disruption faced by the Company. A mentionof such a plan would assure the policy users of the Company's preparedness of risks arising in all perceivable circumstances.

15. AMENDMENT

Any change in the Policy shall be approved by the Board. The Board 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 Act or the rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

16. COMPLIANCE

The Authorized person shall be responsible for supervision of the Policy. Any queries regarding the Policy shall be referred to the Authorized Person, who is in charge of administering, enforcing and updating the Policy.

17. INTERPRETATION

In any circumstance where the terms of this Policy are inconsistent with any existing or newly enacted law, rule, regulation or standard governing the Company, the said law, rule, regulation or standard will take precedence over this Policy.

18. VERSION HISTORY

Version	Approval date	Revision date	Description
Version 1	October 05, 2024	-	Original Policy