



RISK MANAGEMENT POLICY

CONTENTS

1. Introduction	2
2. Importance of Risk Management	2
3. Regulatory Framework.....	2
4. Framework under SEBI Listing Regulations	3
5. Definitions	3
6. Constitution of the Risk Management Committee:.....	7
7. Key Objectives of the Risk Management Committee:	7
8. Board's Responsibility Statement.....	8

1. Introduction

Risk is an unavoidable component of today's fast-paced business environment. Risk Management Policy assists organisations in establishing effective frameworks for making informed risk decisions. To reduce the negative impact of risks on business objectives, the company has developed this Risk Management Policy. The guidance provides a road map for risk management, bringing together policy and Board of Directors guidance.

2. Importance of Risk Management

Risk-taking is unavoidable if the organisation is to meet its goals. Risk management that is effective aids in risk management and performance improvement. The main objective of Risk Management task at Tracxn Technologies Limited is to preserve shareholder value to the greatest extent practicable by identifying and mitigating major operational and external business risks. An enterprise-wide risk management framework is implemented in such a way that effective risk management at various levels and functions is a part of every employee's job.

3. Regulatory Framework

Risk Management Policy is framed as per the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

Responsibility of the Board

As per Section 134 (n) of the Act, the Board of Directors’ 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.

Responsibility of the Audit Committee

As per Section 177(4)(vii) of the Act, 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 internal financial controls and risk management systems.

Responsibility of the Independent Directors

As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

4. Framework under SEBI Listing Regulations

- **Regulation 2(e)(f):**

Responsibilities of Board of Directors: The Board of Directors shall ensure the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, *systems for risk management*, financial and operational control, and compliance with the law and relevant standards.

- **Regulation 17(9)(b):**

The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity

- **Regulation 21(4):**

The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee.

- **Schedule II Part C:**

The role of Audit Committee includes evaluation of internal financial controls and risk management systems

5. Definitions

Audit Committee: Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the SEBI Listing Regulations

Board of Directors / Board: As per Section 2 of “the Companies Act, 2013”, in relation to a company, means the collective body of the directors of the company;

Company: means Tracxn Technologies Limited

Inherent Risks: The risk management process focuses on areas of high inherent risk, with these documented in the Risk Register. Recent performance in delivering a core

service that is below expectations or does not meet agreed targets should be considered an indicator of high inherent risk.

Residual Risks: Upon implementation of treatments there will still be a degree of residual (or remaining) risk, with the expectation that an unacceptable level of residual risk would remain only in exceptional circumstances.

Risk: Risk is an event which can prevent, hinder and fail to obstruct the enterprise further or otherwise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise. *(As defined in Standard of Internal Audit (SIA) 13 issued by the Institute of Internal Auditors)*

Risk Appetite: Risk appetite is the amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

RMP / Policy: Risk Management Policy

Types of Risk:

- Economic and Operational
- Human Resources
- Legal and Compliance
- Reputation and Market Risk
- Strategic
- Storage of Data, Security and Fraud
- Taxation and Financial

Risk Organisation Structure

The Board has to review the business plan at regular intervals and develop the Risk Management Policy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal. We have sought to classify the types of risk as external business and operational. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

For successful implementation of risk management framework, it is essential to nominate senior management individuals to lead the risk management teams. Periodic workshops will be conducted to ensure awareness of the policy and the benefits of following them. This will ensure that risk management is fully embedded in management processes and consistently applied. Senior management involvement will ensure active review and monitoring of risks on a constructive 'no-blame' basis.

Risk Management Process

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction.

Effective risk management depends on risk management planning; early identification & analyses of risks; early implementation of corrective actions; continuous monitoring & reassessment; communication, documentation, and coordination.

Steps in Risk Management

- 1. Risk Identification:** This step involves identification of potential risks by identifying the:
 - Areas of impact
 - What is the risk?
 - Details of the risk such as how will it arise, why is it a risk, and the impact it will have on the Company
 - Consequence of the risk, such as financial risk, reputation risk, etc.
- 2. Risk Analysis:** This involves differentiating the risk into major and minor risks based on the following aspects:
 - Likelihood of Risk
 - Consequences of the Risk
 - The level of risk by creating a risk level matrix

The Risk Reporting Matrix below is typically used to determine the level of risks identified. A risk reporting matrix is matched with specific likelihood ratings and Impact ratings to a risk grade of low. (green), medium (yellow), high (amber) or very high (red).

	Business Impact	Likelihood				
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Certain
RISK REPORTING MATRIX	5 Very High	Yellow	Orange	Orange	Red	Red
	4 High	Yellow	Yellow	Orange	Red	Red
	3 Medium	Green	Yellow	Orange	Orange	Orange
	2 Low	Green	Yellow	Yellow	Yellow	Orange
	1 Insignificant	Green	Green	Green	Yellow	Yellow
	Risk Score= Business Impact × Likelihood					
More than 12		Very High (Red)				
9 to 12		High (Orange)				
4 to 8		Medium (Yellow)				
3 or less		Low (Green)				

3. Risk Evaluation: This involves determining whether or not the risks are acceptable and to prioritize them for treatment.

A risk that may cause some inconvenience is rated lowly; risks that can result in catastrophic loss are rated the highest. It is important to rank risks because it allows the organization to gain a holistic view of the risk exposure of the whole organization.

The business may be vulnerable to several low-level risks, but it may not require upper management intervention.

4. Risk Treatment: Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

- Risk Treatment does not necessarily mean risk elimination

- It involves critical control point analysis
- It involves determining the actions the Company can take to reduce the impact of a business risk such as
 - Avoid / Eliminate: Example: Outsourcing
 - Reduce: (Controlling/Training)
 - Transferring the risk (Insurance)

5. Monitoring and reviewing: This involves maintaining a RMP which is relevant to the Company and the prevailing conditions. The RMP must be dynamic and shall be revisited periodically.

6. Communication and consultation: This involves effective implementation of the RMP throughout the organisation by ensuring its understood at all levels of the Company.

6. Constitution of the Risk Management Committee:

The Board has the power to constitute / reconstitute the Committee from time to time in order to make it consistent with Company's policies and applicable statutory requirements.

The Committee shall consist of three or more members. The Chairperson will be a member of the Board.

7. Key Objectives of the Risk Management Committee:

The role of the committee shall, inter alia, include the following:

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

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

8. Board's Responsibility Statement

Board of Directors shall include a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

The Board of Directors of the Company, Audit Committee and Risk Management Committee shall periodically review and evaluate the risk management system of the Company, so that the Management controls the risks through risk management framework.

The Company has control processes in place to help ensure that the information presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and interim review by the Company's Statutory auditor;
- Planned review by internal auditors reviewing the effectiveness of internal processes, procedures and controls;
- Monthly review of financial performance compared to budget and forecast.

Note: This Policy has been approved by the Board of Directors of the Company at their meeting held on 12th August 2021.