

RISK MANAGEMENT POLICY

BACKGROUND

Risk in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal or external and are inherent in all administrative and business activities. Every member of any organization continuously manages various types of risks. Formal and systematic approaches to managing risk have evolved and they are now regarded as good managerial practice also called as Risk Management.

Risk Management is 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 uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

This document lays down the framework of Risk Management at Polygenta Technologies Limited ("**Company**" or "**Polygenta**") and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. 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.

OBJECTIVE

The objective of Risk Management at Polygenta is to create and protect shareholder value by prudently minimising threats or losses, and identifying and maximising opportunities. An enterprise- wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

Strategic Objectives

1. Providing a framework that enables future activities to take place in a consistent and controlled manner;
2. Improving decision making, planning and prioritisation by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
3. Contributing towards more efficient use/ allocation of the resources within the organisation;
4. Protecting and enhancing assets and company image;
5. Reducing volatility in various areas of the business;
6. Developing and supporting people and the knowledge base of the organisation; and
7. Optimising operational efficiency.



REGULATORY

The Risk Management Policy is framed as per the following regulatory requirements:

COMPANIES ACT, 2013

1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include

(n) 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.

Provisions of the Section 134(8)

If a company is in default in complying with the provisions of this section, the company shall be punishable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

2. Section 177(4) stipulates:

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

(vii) evaluation of internal financial controls and risk management systems.

3. SCHEDULE IV [Section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

II. Role and functions:

The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct;

.....

(4) satisfy themselves on the integrity of financial information and that financial controls and **the systems of risk management** are robust and defensible;

APPLICABILITY

This Revised Policy shall come into force with effect from the 1st October 2021 and will replace the Risk Management Policy which was effective from 1st April 2014.



RISK MANAGEMENT POLICY

Before proceeding to the risk management policy (referred to as Policy hereafter), attention is drawn to the roles that the Board and Risk Management Committee are required to play under the above regulations governing Risk Management:

The Board's role under both of the regulations is to ensure framing, implementing, and monitoring of a risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring an unbiased perspective to the Board's deliberations on making risk management systems more robust.

Risk Management Committee's role is to evaluate the risk management systems.

This policy shall complement the other policies of Polygenta in place e.g. to ensure that the risk if any arising out of Related Party Transactions as per the Related Party Transactions Policy are effectively mitigated.

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, analysing, and mitigating all the material risks, both external and internal vis. Environmental, Business, Operational, Financial and others. Communication of the Risk Management Strategy to various levels of management for effective implementation is essential.

Identification and Risk Analysis

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the CEO along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by the CEO through participation of the vertical/functional heads and a preliminary report thus finalised shall be placed before the Risk Management Committee.

The following steps to be taken:

Risk identification: To identify organisation's exposure to uncertainty. Risk may be classified in the following:

- i. Pandemic
- ii. Business Risk related to sales
- iii. Business Risk related to Procurement of Raw Materials



- iv. Project Risk
- v. Foreign Exchange Risk
- vi. Legal / Regulatory Risks
- vii. Information Technology Failure Risk
- viii. Insurance adequacy risk
- ix. Human Resource Risk

Risk Description: To display the identified risks in a detailed manner and review the same from time to time.

Risk Evaluation and estimation:

After risk analysis, the risk is evaluated and categorised whether the identified risk is low risk, moderate risk or high risk. The risk categorisation is done after evaluating reasons as to why it should be considered as low, medium or high in terms of probability of occurrence and possible consequences.

Reporting

The risks so identified are reported to Risk Management Committee which in turn reports to Audit Committee / Board of Directors.

Development of Action Plan

The Risk Management Committee consists of one Independent Director, Executive Director, CEO and CFO. The Committee assists in implementation of the Risk Management Plan of the Board and also monitors its implementation and review. The members of the Risk Management Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses Polygenta is engaged in or shall undertake.

Guidelines to deal with the risks

The Business Plan including the Capital Expenditure Budget and Funds Flow Statement together with SWOT analysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee, a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.



Risk Registers

Risk Registers shall be maintained showing the risks identified under broad classification as mentioned above, description of the risk, risks mitigants, categorisation of the risk as low, moderate or high and reasons for the said categorisation.

Mitigation of such risks and effectiveness of their mitigation measures and review of the strategy would be discussed by the Risk Management Committee. The Committee will apprise the Board about such risks from time to time.

ROLE OF RISK MANAGEMENT COMMITTEE

The following shall serve as the Role and Responsibility of the Risk Management Committee authorised to evaluate the effectiveness of the Risk Management Framework:

- identification of various risks in operations, finance, marketing, compliances etc.
- framing, implementing and monitoring the risk management plan/policy for the company
- inform the audit committee / board about the risk assessment and minimization procedures being implemented or to be implemented"

Integration of Risk Management Strategy

Polygenta's risk management strategy is to be integrated with the overall business strategies of the organisation and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

REVIEW

This policy shall be reviewed by the Risk Management Committee from time to time as may be necessary to ensure it meets the requirements of legislation and the needs of organization.

The Policy shall be modified by the Board of Directors on the recommendation of the Risk Management Committee from time to time, at least once a year.

This Policy will be communicated to all vertical/functional heads and other persons concerned.



P. Demanvis

Approved by RMC Meeting
dt 17Sep21 and Board Meeting
dt 17Sep21