RISK MANAGEMENT POLICY

SUMEDHA

adding values to value

Reviewed by the Board in its meeting held on 14th May, 2024

RISK MANAGEMENT POLICY

1. INTRODUCTION

This Policy is in compliance with SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015 and provisions of Companies Act, 2013 read with Rules made thereunder which requires the Company to lay down procedures about the risk assessment and risk minimization.

Sumedha Fiscal Services Limited (the "Company") recognizes that enterprise risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

2. POLICY OVERVIEW

The Company's risk management policy relates to identification, assessment, monitoring and mitigation of various risks to our business. The policy seeks to minimize adverse impact on our business objectives and enhance stakeholder value. Further, our risk management practices seek to sustain and enhance long–term competitive advantage of the Company.

3. RISK MANAGEMENT FRAMEWORK

3.1 Risk Management Structure:

The Audit Committee of Directors shall periodically review the risk management policy of the Company and evaluate the risk management systems so that management controls the risk through a properly defined network.

Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

3.2 Risk Management Program:

The Company's risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of its Board of Directors to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in the light of the day-to-day needs of the Company. Regular communication and review of the risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

3.3 Risk categories & Mitigation Measures:

The following broad categories of risks have been considered in the risk management framework:

- **Operational Risk-**The Company's business is largely dependent upon people and processes. Any shortcomings in internal processes and system shall result into material adverse impacts on the operation and financial position of the Company.

  Mitigation: The Company regularly conducts audits of internal processes and system and has well defined internal control firmly in place. Its workforce in terms of key management team consists of professionals having high level of commitment and expertise and is equipped in handling the affairs of the Company thereby mitigating such risks arising out of operational mismanagements.

- **Market Risk:** The Company is exposed to potential changes in value of financial instruments. Any decline in the price of investment in quoted securities may affect the financial performance and position. Market Risks may pertain to interest bearing securities (interest rate risk), equities (equity price risk) and foreign exchange ratio risk (currency risk).

  Mitigation: The Company continually monitors its portfolio and securities and the usage of derivatives to minimize such risks.

- **Liquidity Risk:** Any lack of liquidity in the market which adversely impacts the ability of the Company to pay out its short-term financial obligations, to sell its assets quickly in a market without loss, to access funds at competitive rates, shall inevitably bear material impact on its financials. Severe liquidity crunch in the market and associated market disruptions shall also withhold the clients from honoring their commitment towards the Company which would indirectly lead to the Company's inability to perform its financial obligations.

  Mitigation: The Company has got strong business strategies in place to maintain a long-term orientation despite rocky short term performances. Its businesses are adequately capitalized. Further, the Company also maintains a portion of Capital in liquid assets to address any unforeseen liquidity crisis. Its main focus remains upon planning well in advance and building financial buffers which shall go a long way towards mitigating the effects of a coordinated economic downturn.

- **Regulatory and Compliance Risk:** While the ostensible purpose of legislations are to reduce systemic financial risk and protect consumers, it also strain the business/revenues/profitability of corporates. New laws or regulations or changes in the enforcement of existing laws and regulations could invite inadvertent non compliances with the regulations leading to strictures/penalties and even punitive action from the Regulators.

- *Mitigation:* The Company operates in a strict regulatory compliant environment. It has dedicated teams of professionals looking after the compliance with applicable laws, rules, regulations and guidelines involving the businesses of the Company. External advises and professional services are sought when needed to remove any iota of non-compliance. Internal Audit is also carried out regularly to monitor the compliances with the Company's policies and the applicable statutory regulations.

- **Reputation Risk:** Company's reputation is a vital ingredient to business success, whether in regards to customer trust or employee loyalty. While key ingredients for acquiring a good corporate reputation, such as high quality, outstanding service, and competitive prices, are relatively well understood, there are seemingly countless ways in which a brand might be damaged. Reputation Risk is a very high risk factor and cause long term or irreparable loss to the business or profitability.

  Mitigation: The Company takes pride in the enormous goodwill and brand value that it has built due to decades of providing exemplary services guided by the sole principle of customer centricity. It has built a truly dedicated workforce which share the same responsibility of delivering utmost good services whilst safeguarding the interest of the stakeholder and the reputation of the Company.

- **Technological Risks and Cyber Security Risk:** The Company strongly believes that technological obsolescence is a practical reality which can result to financial loss, disruption or damage to the reputation of the Company. Cyber risk is a subset of technology risk, which can also have adverse effect on business and operations of the Company.

  Mitigation: The Company is continuously monitoring and analyzing the information security and cyber security alert as well as monitoring the data leakage and identity / access management violations.

- **Sustainability Risk:** This includes environment, social, and governance (ESG) risk which essentially are non-financial risks arising from the environment and sustainability, reputation or brand, legal, technological, environment pollution prevention, product or service quality, labour, ethical conduct, compliance, and strategic considerations.

- **Sectoral Risk:** The Sectoral risk refers to the influence of industry variables such as demand supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

  Mitigation: The Company has got strong internal framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environmental Social Governance (ESG) related risks), information, cyber security risks or any other risk as may be determined by the Audit Committee.

4. OVERSIGHT AND KEY RISK MANAGEMENT PRACTICES

A. Board

The Board is responsible for framing, implementing and monitoring the risk management plan for the Company. The audit committee or management may also refer particular risk management issues to the Board for final consideration and direction.

B. Audit Committee

The audit committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the audit committee is responsible for:

- ✓ managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- ✓ setting up internal processes and systems to control the implementation of action plans;
- ✓ regularly monitoring and evaluating the performance of management in managing risk;
- ✓ providing management and employees with the necessary tools and resources to identify and manage risks;
- ✓ regularly reviewing and updating the current list of material business risks;
- ✓ regularly reporting to the Board on the status of material business risks; and
- ✓ ensuring compliance with regulatory requirements and best practices with respect to risk management.

C. Senior management

The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the Company.

Senior management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, senior management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior management should report regularly to the Board regarding the status and effectiveness of the risk management program.

D. Employees

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

5. REVIEW OF RISK MANAGEMENT PROGRAM

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, audit committee and senior management aims to ensure that specific responsibilities for risk management are clearly communicated and understood.

The reporting obligations of senior management and audit committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of the risk management program and audit committee, senior management and employees responsible for its implementation.

6. BUSINESS CONTINUITY PLAN

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more. Company shall have well documented Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Audit Committee.

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