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Anand Rathi Wealth Limited

Risk Management Policy

(Amended as on 12th January, 2024)

Reviewing Authority	Risk Management Committee
Approving Authority:	Board of Directors
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Applicability	Anand Rathi Wealth Limited and its Subsidiaries

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1. Introduction

Anand Rathi Wealth Limited (ARWL) is a Wealth Management Company in India catering primarily to the HNI segments, offering various innovative investment solutions through dedicated Relationship Managers and have carved out a special niche for itself.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and provisions of the Companies Act, 2013 ("the Act"), which requires the Company to lay down procedures about risk assessment and risk minimization.

The Company's Risk Management Policy ("the Policy") aims to ensure appropriate risk management across the business verticals of the company and its subsidiaries.

2. Definitions

a. **"Audit Committee"** means "Audit Committee" constituted by the Board of Directors of the Company under Section 177 of the Companies Act, 2013 and the provisions of the Listing Regulations, 2015, from time to time.

b. **"Board"** means the Board of Directors of Anand Rathi Wealth Limited.

c. **"Company"** means Anand Rathi Wealth Limited ("ARWL").

d. **"Risk"** is defined as the chance of a future event or situation happening that will have an impact upon the company's objective favorably or unfavorably. It is measured in terms of consequence and likelihood.

e. **"Risk Management"** encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment, and monitoring.

f. **"Risk Classification"** Risk classification is the process of categorizing risks based on their characteristics or attributes to facilitate better understanding, prioritization, and management of those risks.

3. Objectives

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organization to put in place effective frameworks for taking informed decisions about risks. 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 and to minimize the adverse consequence of risks on business of the company.

4. Risk Assessment & Controls/Scope

The Company has in place a robust and well defined risk assessment and control policy where the Company has identified risk owners, who is actively responsible for risk management.

This Policy caters to both product & business specific guidelines and works within the overall risk.

1) This policy is meant to ensure to mitigate or minimize potential risks to the business to an acceptable level and thus covers all activities within the company and events external to the company keeping in mind of the present business profile, future growth objectives and new business services that may be necessary to achieve the objectives of the company.

   The Risk Management Policy is documented in conjunction with the Risk Management Procedure, which covers below: -

   a) Risk Management Framework
   b) Risk Management Structure
   c) Risk Assessment Criteria
   d) Categorization of Risks
   e) Risk Management Procedure

2) To achieve the key objective of delivering quality and reliable services, this Policy establishes a structured and disciplined approach to Risk Management, to guide decisions on risk-related issues. These include:

   a) Identifying and assessing the risks.
   b) Optimizing Strategic, Operational & Financial efficiency.
   c) Preparedness for contingency or occurrence of unforeseen events.
   d) Mitigation of risks to an acceptable level / eliminate adverse impact of risk on operations.
   e) Improving decision-making, planning, and prioritization by a comprehensive and structured understanding of business activities, volatility and opportunities / threats.
   f) Protecting and enhancing assets and company image.
   g) Continuous monitoring of the business environment and evaluation of potential

events which may lead to adverse impact on the company's operations or image.

h) Training concerned stakeholders for ensuring the existence and effectiveness of mitigation measures against risks associated with respective functions.

i) Enable concerned stakeholders to identify risk triggers for potential / identified risk.

j) Accountability and Responsibility amongst various stakeholders for ensuring the effectiveness and existence of mitigation measures.

5. Risk Management Framework

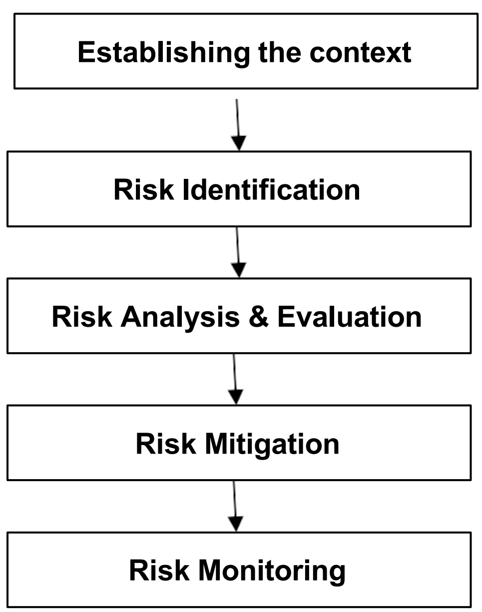
a) Define and Develop a Risk Management Framework:

Risk management will protect and add value to the organization and its stakeholders through supporting the organization's objectives by improving decision making, planning and prioritization by comprehensive and structured understanding of business activity, volatility and predict 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.

A risk management framework is a set of references and tools that management as decision-makers will rely on to make decisions about how to mitigate risk.

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



c) Establishing the context:

It includes the process of gathering and analyzing the internal and external information and parameters to be taken into consideration for defining risk category, risk parameters and mitigation measures including the organizational objectives and stakeholders goals etc. to provide a comprehensive understanding of the risk.

d) Risk Identification:

This stage involves the identification of sources of risk (i.e., internal/external), areas of impact, events (including changes in circumstances), their causes and triggers.

The objective of this step is to prepare a comprehensive list of risks based on potential / existing events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of goals and objectives.

Risk identification is most essential since a risk that is not identified at this stage will not be included in further analysis until the occurrence of an unforeseen event and that would lead to detective or corrective actions rather than preventive measures being undertaken.

e) Risk Analysis and Evaluation

Risk Evaluation is done based on the outcome of risk analysis for risk mitigation and prioritization for action.

The risk evaluation process would determine which risks need treatments and how treatments can be prioritized towards those risks.

f) Risk Mitigation:

Post risk identification and analysis, the mitigation measures are defined and documented against each of the risks, along with risk owner, who is responsible for ensuring the effectiveness and existence of said measures.

Further, the below alternatives based on thorough analysis are evaluated:

a) Acceptance of the risk (where it is assessed the risk is acceptable).

b) Avoiding the risk (presents a greater risk through lost opportunity).

c) Mitigating the risk (through controls and procedures).

d) Avoiding the risk (by stopping the activity).

e) Transferring the risk

f) Financing the risk (through insurance arrangements wherever applicable).

This further includes the development of specific strategies and action plans to mitigate each identified risk. The strategies can vary depending on the nature of the risk. This stage involves the assignment of responsibilities and timelines for implementing the identified mitigation strategies and ensuring that individuals or teams are accountable for executing the action plan effectively.

g) Monitoring:

The Company's Risk Management Framework requires a continuous cycle of implementing, monitoring, reviewing, and managing the risk management processes.

6. Risk Management Approach

Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its risks, including any material changes to its risk profile. The risk methodology adopted has the following two facets to it:

A "**Top-Down"** system, whose objectives are to distill insights and provide clarity on the KEY RISKS, support risk-informed decisions at the committee levels, ensure a risk dialogue among the management team and enable proper risk oversight by the Board.

A **"Bottom-Up"** system whose objectives are to ensure a comprehensive risk identification and prioritization of important risks, define and follow risk policies and processes that control daily decision making throughout the company and ensure a robust risk culture company-wide.

To achieve this, the Company has clearly defined the owner or responsible persons in the management for risk identification and their mitigation. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

7. Risk Profile

In order to identity and assess material risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

The Company majorly focuses on the following types of material risks:

i. Business risk including product risk;
ii. Market risks;
iii. technology (including cyber-Security) risks;
iv. Human resource risks;
v. Financial Risk;
vi. ESG related risks;
vii. Legal / regulatory risks; and
viii. Operation Risk

8. Roles and Responsibilities of Risk Management Committee

ROLES

i. To assess the Company's risk profile and key areas of risk in particular;
ii. Ensuring effective risk oversight and effective risk management framework in conjunction with laid down risk management procedure aligned with goals and objectives;
iii. To recommend the Board and adoption of risk assessment and rating procedures;
iv. To assess and recommend the Board acceptable levels of risk;
v. To articulate the Company's policy for the oversight and management of risks;
vi. To define or formulate the strategy by way of any of the following:
    - Avoidance - Not to start or continue with the activity that gives rise to the risk
    - Reduction - Mitigation of risk
    - Transfer - Outsource or Insure
    - Retention - Accept the risk
vii. Ensuring existence and operating effectiveness of top - down and bottom - up methodology for appropriate risk reporting; and
viii. Periodic training and update about Enterprise Risk Management ensuring existence of Tone at The Top.

RESPONSIBILITY

i. To review existing risk assessment criteria and categorization for internal and external risks and recommend changes therein to risk head/owner;

ii. To review changes in risk register and identification of new risks;

iii. To develop risk register as per risk management framework for organization as a whole and periodic review of risk register and suggest any changes in risk register;

iv. To monitor the environment within which the risk exists to identify issues which may affect the company, its impact on the company or likelihood of its arising;

v. To provide assurance that risk management policy and framework of the company are operating effectively;

vi. To develop risk mitigation measures and assessing adequacy of mitigation measures for the risks identified;

vii. To ensure existence and operating effectiveness of mitigation measures against risks identified;

viii. To exercise oversight of management's responsibilities, and review the risk profile of the company to ensure that risk is not higher than the risk appetite determined;

ix. Ensure adoption of robust Risk Management Framework, continuous monitoring of Risk Management Framework, recommend changes as per prudent industry practice and benchmarking the same;

x. To assist or recommend the Board in setting strategies, policies, Risk Management Frameworks, models and procedures;

xi. To review the Scope of Work and direct internal audit team in review of Enterprise Risk Management as an audit activity annually;

xii. To present the half yearly report based on the inputs in the KMPs to the Audit committee;

xiii. Conduct training and awareness sessions of relevant stakeholders towards Risk Management Framework and its existence and operating effectiveness; and

xiv. Perform other activities related to risk management as delegated by the Board of Directors or to address issues related to any significant subject within its term of reference.

9. Risk Management System

The Company has always had a system-based approach for business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Well defined policies and procedures,
- Independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures.

10. Risk Management Activity Calendar

Activity	Timeline
Meeting of the Risk Management Committee	The Committee shall meet as deem necessary, but not later than 180 days from last meeting between any two consecutive meetings.
Agenda circulation for Risk Management Committee meetings	Prior to 7 days from the date of the Risk Management Committee meeting
Circulation of Minutes of meetings of Risk Management Committee	Within 15 days from the date of conclusion of the Risk Management Committee meeting
Report Risk Register to Risk Management Committee	Every 6 months - in Risk Management Committee meetings
Input from stakeholders / Risk Owners to Internal Auditor	Once in every quarter (Within 10 days from the end of the quarter)

11. RISK MANAGEMENT PROCEDURE

For Detailed Risk Management Procedure, please refer **Annexure – A** attached in policy.

12. Review / Amendment of the Policy

The Policy will be reviewed on a need basis, but not later than 2 years from the date of previous review by the Board / Committee. The Board, either on its own or as per the recommendations of the Risk Management Committee, can amend this Policy, as and when it is deemed necessary. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

13. Publication of Policy

The key features of the Policy will be published in the Annual Report of the Company every year.

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Annexure - A

ANAND RATHI WEALTH LIMITED

RISK MANAGEMENT PROCEDURE

In conjunction with

Risk Management Policy

Reviewing Authority	CXOs, Functional Heads of the Company
Approving Authority:	Risk Management Committee of the Company
Original Issue Date:	-
Last Revision Date:	-
Version No.:	1.0
Review Cycle:	Every 6 months or change in policy whichever is earlier
Applicability	The Company and its Subsidiaries

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1. Preface - Enterprise Risk Management Procedure

- Enterprise risk management (ERM) is the process of planning, organizing, directing and controlling the activities of an organization to minimize the harmful effects of risk.
- ERM Program is a structured, consistent, and continuous process of measuring or assessing risk and developing strategies to manage risk within the risk tolerance levels.
- This document contains details of the Risk Management policy framework adapted by the Anand Rathi Wealth Limited.

2. Objectives

The objective of a Risk Management Procedure is to provide a structured and consistent approach in identifying, assessing, evaluating, mitigating, monitoring and reporting risks arises both due to internal and external environments. The Risk management procedure serves as a guide for all stakeholders w.r.t. robust implementation of Enterprise Risk Framework and ensuring that risk management processes are executed in a systematic and effective manner.

- Ensuring standardization of practices across the company for risk management (This covers all components of Risk Management cycle)
- Setting clear roles and responsibilities amongst Risk Owners, Risk Controller, CXOs / Functional Heads / Sr. Management thereby ensuring accountability and responsibility.
- Establish guidelines for documenting the Risk register and reporting risk management activities and outcomes to the Risk Management Committee
- Define the requirement for maintaining records, documenting risk assessments, and reporting risk-related information to the Risk Management Committee and promoting transparency & accountability.
- Implement a proactive approach to enhance risk awareness amongst stakeholders across the company and ensure that risks are not overlooked or underestimated. It guides stakeholders to consider a wide range of potential risks that may affect the organization's objectives.
- With documented procedures and guidelines, it promotes continuity in risk management efforts, even during absence of internal stakeholders.
- It serves as a valuable resource for learning from past experiences and improving risk management practices. It allows organizations to capture understanding gained from experience, update procedures based on feedback and emerging best practices, and continuously enhance their risk management capabilities.
- Define transparent procedure involving any changes in Risk Register and reporting of the same.
- Provide a guideline for risk analysis and calculate risk score.
- Provide a guideline for maintenance of Risk register.
- Provide a guideline for risk measurability, its impact assessment.

3. Scope

It encompasses all areas of the organization, including sales, operations, finance & accounts, human resources, information technology, legal, and strategic/business planning.

This document sets out the guidelines for below:

- Establishing the External Context and Internal Context for risk identification
- Identification of risks and steps to be followed in risk identification
- Addition and Modification of risks in Risk register
- Risk Assessment and Analysis
- Risk Treatment
- Risk Monitoring and Review
- Risk Reporting

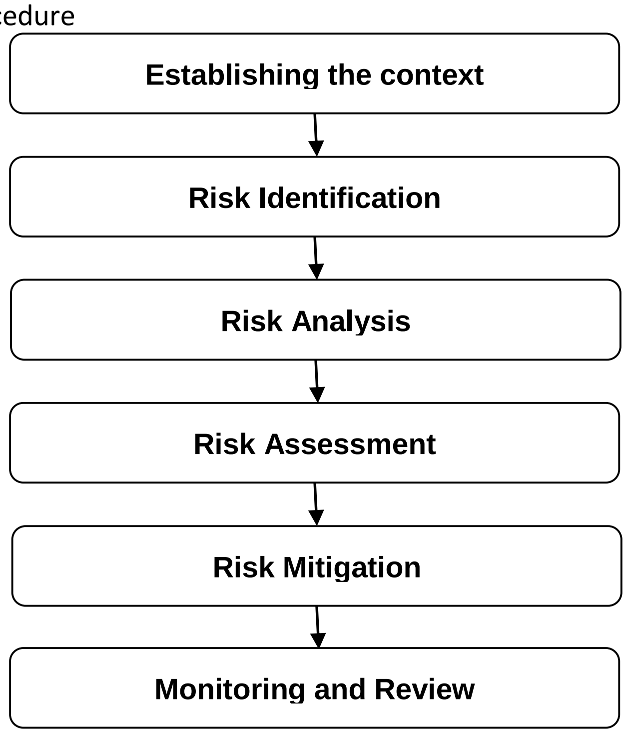
This document acts as standard operating procedure for adherence and compliance to Risk Management Framework.

4. Risk Management Procedure

The risk management system is dynamic and is designed to adapt to developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks.

The Risk Management Process is a clearly defined method of understanding what risks and opportunities are present, how they could affect a project or organization, and how to respond to them.

Summary of Procedure



The risk management system is based on a structured and systemic process which takes into account internal and external risks.

The main elements of the risk management process are as follows:

- Establishing the Context
- Risk Identification
- Risk Assessment (analysis & evaluation)
- Risk mitigation
- Monitoring and Review
- Risk Reporting

5. Establishing the Context

Define the objectives and identify the external and internal parameters to be considered while identifying and managing the risks. It sets the scope for the risk management process and also the criteria for which the risks will be assessed, along with key drivers and trends that have an impact on the objectives of the organization.

5.1. External Context

Understanding the external context is important to ensure that the objectives and concerns of all 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, volatility of the financial markets, technological, economic, natural and competitive environment, whether international, national, regional or local;
- Relationships with perceptions and values of all the stakeholders.

5.2. Internal Context

The risk management process is aligned with the organization's culture, processes, structure and strategy. Internal context is anything within the organization that can influence the way risks will be managed. Internal establishing context refers to the process of defining and understanding the internal factors and conditions within an organization that shape its risk management activities. It involves identifying and assessing elements such as organizational objectives, governance structure, policies and procedures, risk appetite, stakeholder expectations, internal resources, risk management roles and responsibilities, communication channels, and monitoring processes. Establishing context internally provides a clear understanding of the organization's internal environment and helps align risk management practices with its objectives, culture, and capabilities. 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 all the stakeholders;
- The organization's culture;
- Information systems, information flows and decision-making processes (both formal and informal);

6. Risk Identification

Risk identification is the process of systematically identifying potential risks or threats that could negatively impact the company. The goal is to identify and understand these risks so that appropriate measures can be taken to mitigate or manage them effectively.

6.1. Key steps and techniques used for risk identification:

- Review of Risk Register: Risk registers contain a list of common risks associated with the specific domain or industry. These checklists can help prompt ideas and ensure that no significant risks are overlooked.

- External sources: Keep track of external sources of risk information, such as industry reports, market trends, technological advancements, regulatory changes, and geopolitical factors that may impact the project or organization.

- Feedback, Past Learnings & Expert Judgement: Seek inputs from experts which help in early identification of events that may have a negative impact on organization, along with feedback from CXOs, stakeholders, and other relevant parties regarding potential risks they have encountered or foreseen. Also, review lessons learned from previous projects to identify recurring or common risks.

  As per above steps, risk identification is done mainly in meetings with CXOs, Functional Heads, Risk owners, Sr. Management

6.2. Identification of New Risk: -

- Any new risk identified is further discussed for below:

Particulars	Description
Classification of Risk	External Risk or Internal Risk
Type of Risk	E.g. Compliance Risk or Country Risk
Trigger of Risk	Events or circumstances that can activate or initiate the happening of a risk. E.g. Market Volatility

Cause of Risk	Causes of risks are the underlying factors or events that contribute to the occurrence or manifestation of a risk. E.g., Economic Recession
Impact of Risk	The impact of risk refers to the potential consequences or effects that an event can have on an organization. E.g., Loss of reputation, Financial & Liquidity risk, etc.
Mitigation measures	Mitigation measures refer to actions taken to reduce or prevent the adverse impacts of a particular event or phenomenon. Pre-Assessment of risk: Substantial financial losses due to economic recession or poor investment decision Post-Assessment of risk: Minimize financial losses by diversification of investment portfolios, through due diligence.

Based on consensus of Risk Controller and Functional Head/CXOs, new risk is added in Risk Register.

6.3. Changes in Existing Risk

Such modification can be made due to following factors For e.g. Anti-Money Laundering (AML) Risk

Particulars	Description
Trigger of Risk	Criminals and money launderers continuously adapt their tactics to evade detection. As new money laundering techniques emerge, such as the use of virtual currencies or prepaid cards, the trigger for AML risk may need to be updated to capture these activities.
Cause of Risk	Governments and regulatory bodies continuously update AML laws and regulations to address emerging threats and vulnerabilities. Changes in legislation, such as the implementation of new AML directives or regulations, can increase or decrease the causes of risk.

Impact of Risk	Non-compliance with AML regulations can lead to regulatory enforcement actions, including fines, sanctions, and restrictions on business operations. E.g., Pre-Mitigation: Financial losses due to paying non-compliance penalty or fines Post-Mitigation: Complying the regulations stated by legal authority can minimize financial loss.
Mitigation measures	If money launderers adapt new techniques for money laundering, then mitigation methods to be changed according to that.

Post change in above referred criteria, parameters are reviewed to analyze whether risk finds place in Risk Register or not.
Based on analysis, following action is taken :
A. If risk is to be included in Risk Register - Updated in Risk Register & changes to be reported to Risk Management Committee.
B. If risk is not included in Risk Register – Non-reported risks & changes should be reported to Risk Management Committee.

6.4. Updating the Risk Register

All the risks captured in Risk Register are reviewed and discussed by CXOs, Functional Head. Any change in either Internal environment or External environment which indicates either reduction in likelihood, minimal impact may direct re-consideration of risk already existing in Risk Register.

The analysis is conducted on below:

Particulars	Description
Trigger of Risk	Being updated about the changes in regulations can lead to reduction in trigger of risk.
Cause of Risk	Foster a culture of continuous improvement by learning from past experiences and adapting strategies based on lessons learned can reduce the cause of risk.
Impact of Risk	If the impact of risk is reduced due to adaptation of appropriate mitigation methods, then it can remove the risk from the Risk register. E.g. Implementing strong access controls and user authentication mechanisms.

7. Risk Register

7.1. Definition

A risk register is a document that is used as a risk management tool to identify potential setbacks within a project. This process aims to collectively identify, analyze, and solve risks before they become problems. While usually centered around projects, other circumstances where risk management is helpful include product launches. It serves as a central repository of information for managing and monitoring risks throughout their lifecycle. A project risk register should not only identify and analyze risks, but also provide tangible mitigation measures. This way, if the risk becomes a larger threat, your team is prepared with solutions and empowered to solve the issues.

7.2. Objectives of Risk Register

7.2.1 To facilitate centralized information
7.2.2 To provide risk visibility
7.2.3 Facilitates effective communication and collaboration among stakeholders.
7.2.4 Enables a proactive approach to identifying, analyzing, and mitigating risks.
7.2.5 Helps prioritize risks and allocate resources accordingly.
7.2.6 Supports compliance with regulatory requirements and internal governance standards
7.2.7 Promotes a culture of continuous improvement in risk management practices

8. Risk Assessment

Risk Assessment and Analysis is a vital component of risk management that involves assessing and understanding the nature, characteristics, and potential impact of identified risks. Analyze each identified risk to understand its characteristics, causes, and potential consequences. This includes assessing the likelihood of the risk occurring and the potential impact it may have on the organization or project objectives. Use quantitative and qualitative analysis techniques, such as probability and impact matrices, risk scoring, or scenario analysis.

Key steps in Risk assessment

- Identify and document all potential risks that may affect the organization or project. This step involves gathering information from various sources, such as historical data, expert knowledge, documentation, and stakeholder input.
- Develop a clear and concise description for each identified risk. Describe the risk event, it’s causes and sources of risk, the trigger events that would lead to the occurrence of the risks, the positive and negative consequences of the risk and the likelihood that those consequences can occur.
- Establish criteria for assessing risks, including the likelihood of occurrence, Financial, Strategic, Reputational and Compliance impact. Define scales or categories to measure

the likelihood and impact levels consistently. These criteria can be qualitative (e.g., Low, Medium and High

Level of risk = consequence x likelihood

a) Likelihood scale example

Level	Likelihood	Description
4	Very likely	Happens more than once a year in the industry
3	Likely	Happens about once a year in the industry
2	Unlikely	Happens every 10 years or more in the industry
1	Very unlikely	Has only happened once in the industry

b) Consequences scale example

Level	Consequence	Description
4	Severe	Financial losses greater than Rs.10 Crores
3	High	Financial losses between Rs.5 Crores to Rs.10 Crores
2	Moderate	Financial losses between Rs.1 Crore to Rs.5 Crores
1	Low	Financial losses less than Rs.1 Crore

Note- Ratings vary for different types of businesses. The scale above uses 4 Levels; however, one can use as many levels as deemed fit for the business/sector

Risk rating table example

Risk rating	Description	Risk Management Action
12-16	**Severe**	Needs immediate corrective action
8-12	**High**	Needs corrective action within 1 week
4-8	**Moderate**	Needs corrective action within 1 month
1-4	**Low**	Does not currently require corrective action

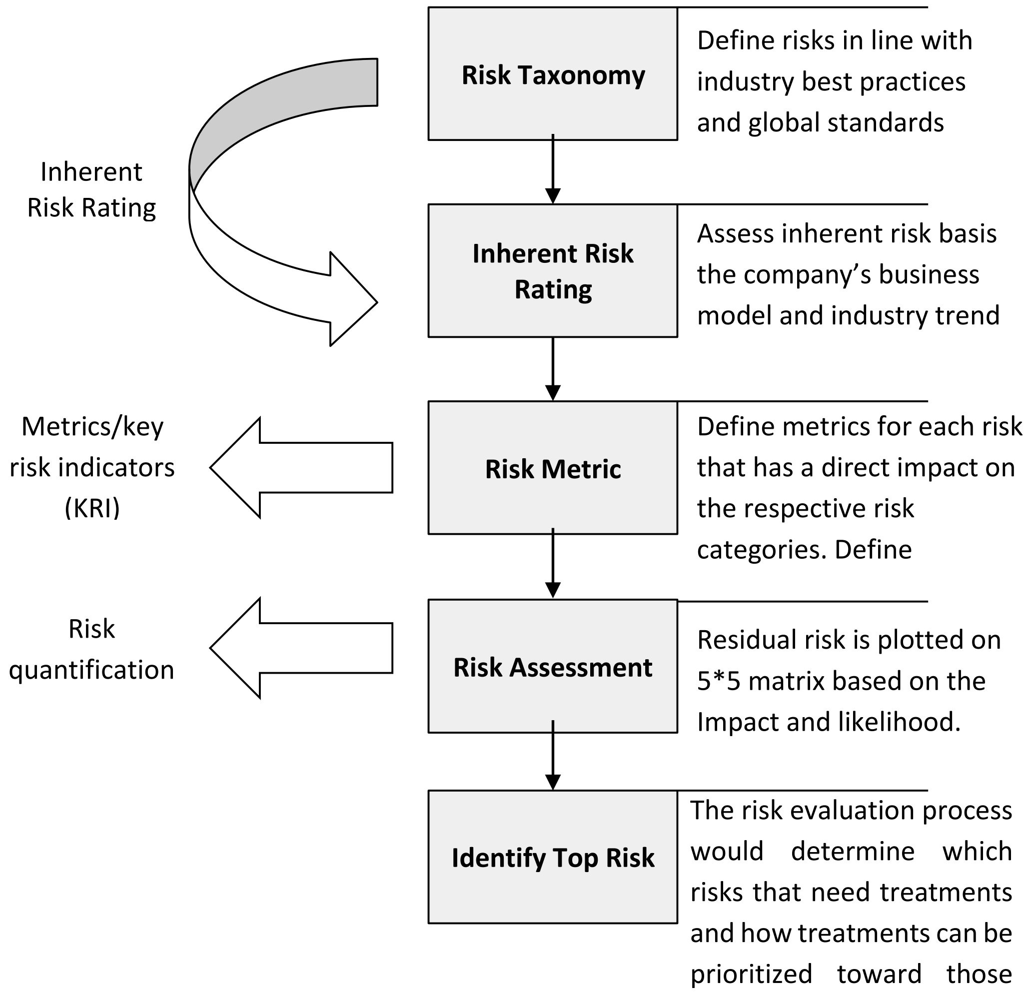
- Assess the likelihood of each identified risk occurrences. This involves analyzing historical data, expert opinions, statistical data, or other relevant information. Use qualitative or quantitative techniques, such as historical analysis, expert judgment, probability estimation, or data modeling, to determine the likelihood level.
- Evaluate the potential impact or consequences of each risk. Consider both the direct and indirect effects on various aspects, such as financial, operational, reputational, legal, safety, or environmental. Use qualitative or quantitative techniques, such as impact matrices, scenario analysis, cost estimation, or business impact analysis, to assess the impact level.

Scoring map 5*5 matrix based on impact and likelihood is

	Impact				
Likelihood	**1.Insignificant**	**2.Minor**	**3.Significant**	**4.Major**	**5.Severe**
1.Rare	Low	Low	Low	Low	Low
2.Unlikely	Low	Low	Low	Low	Moderate
3.Moderate	Low	Low	Low	Moderate	High
4.Likely	Low	Low	Moderate	High	Severe
5.Almost Certain	Low	Moderate	High	Severe	Severe

- Put the identified risks in order of importance based on a mix of their likelihood and impact. A risk matrix or other ranking techniques can be used to do this. Give each risk a risk priority or score to help concentrate resources and attention on the most important concerns.
- Create risk profiles for each one, taking into account all of their features. Included in this are a description of the risk, its origins, prospective effects, likelihood, impact, risk owner, and any pertinent information or proof that backs up the analysis. Effective decision-making and communication are aided by the risk profile.
- Few methodologies which can be used in Risk Assessment:
  - ➢ Conduct sensitivity analysis to understand the sensitivity of the risk; it explores the effect of changing individual risk variables on the overall outcome or results. It helps identify which variables have the most significant impact on the project or organization and assesses the robustness of the analysis to changes in those variables.
  - ➢ Cost-benefit analysis compares the costs of implementing risk mitigation measures against the expected benefits and helps in decision-making. It quantifies the costs associated with managing risks and assesses the potential value or savings that can be achieved by implementing risk reduction measures.
  - ➢ Event Tree Analysis (ETA) is a graphical technique used to analyze and evaluate the potential outcomes and consequences of specific initiating events or scenarios. It helps in understanding the sequences of events and their probabilities, which lead to different outcomes or states.

- Fault Tree Analysis (FTA) is a deductive technique used to analyze and assess the causes and effects of specific undesired events or failures. It involves representing the logical relationships between various events and failures using a graphical tree-like structure.



9. Risk Treatment

Risk Treatment is a crucial component of the risk management procedure. It involves implementing strategies and actions to manage identified risks effectively. The goal of risk treatment is to reduce the financial, likelihood, strategic, reputational and compliance impact or impact of risks to an acceptable level, while considering cost-effectiveness and the organization’s risk appetite.

Key steps in Risk Treatment

Detailed review of risk treatment process is as follows:

- Before initiating the risk treatment process, review the results of the risk assessment. Revisit the identified risks, their likelihood and impact assessments, and overall risk prioritization. This step ensures that the treatment strategies are aligned with the identified risks.
- Identify and evaluate various risk treatment options for each identified risk. Common treatment options includes:

Acceptance	1.Acknowledge and accept the risk without taking any specific treatment actions. 2.This strategy is used for risks with low likelihood or impact.
Avoidance	1.Eliminate the risk by avoiding the activity or situation. 2.For e.g., changing project plans, avoiding certain business activities, or refraining from engaging in high-risk volume.
Mitigation	1.Implement measures to reduce the impact of risk. 2.For e.g., implementing controls, safeguards, redundancies, or process improvements.
Avoiding the risk by stopping	1.If the risk is deemed too significant or if the potential negative consequences outweigh the benefits, one possible approach is to consider avoiding the risk altogether by stopping the associated activity 2.Example: Ceasing a High-Risk Investment Strategy
Transfer	1.Transfer the risk to third party such as insurance, contracts, or outsourcing. 2.This strategy shifts the responsibility for managing the risk to another party.
Financing	1.Mitigating risk through financing the investment involves utilizing financial strategies and instruments to minimize potential losses and protect the investment. commodity price volatility.

Key steps in Risk Mitigations

Detailed review of risk treatment process is as follows:

Before initiating the risk treatment process, below steps are done:

- Review the results of the risk assessment,
- Revisiting the identified risks, their likelihood and impact assessments
- Overall risk prioritization: This step ensures that the treatment strategies are aligned with the identified risks
- Identification and evaluation of various risk treatment options for each identified risk
- Evaluation of available risk treatment options is done and selection of the most appropriate measures for each identified risk is taken.

Below are the factors taken into consideration

- Effectiveness of the treatment
- Cost-benefit analysis
- Resource availability
- Company's risk tolerance.

For each of the selected risks, treatment measures and development of a detailed risk treatment plan is framed with below:

- Specification of the actions
- Responsibilities
- Timelines
- Resources required to implement the treatment
- Clearly outlining the objectives
- Milestones
- Success criteria for monitoring
- Evaluating the effectiveness of the treatment

Risk treatment plans according to the established timelines and responsibilities are implemented and executed.

Maintenance of clear documentation of the implemented risk treatment measures, including the rationale behind their selection, implementation details, and ongoing monitoring results is ensured. Communication to the Risk Committee about the progress, effectiveness, and changes in risk treatment to relevant stakeholders, including senior management and risk owners is done every half year.

On-going monitoring, evaluation, and adaptation are essential to ensure that risk treatment remains relevant and aligned with the evolving risk landscape and organizational objectives.

10. Monitoring and Review

- **Risk Triggers:** We have defined Risk Triggers for each of the risks that are used to monitor the identified risks. These could include financial ratios, performance indicators, project milestones, or other relevant measures.

- **Establishing monitoring frequency:** As a prudent industry practice, risk monitoring is done twice a year or earlier as and when required.
- **Setting thresholds or benchmarks:** Defining the acceptable levels or thresholds for each risk indicator which help in identifying when risks are approaching or exceeding acceptable limits.
- **Collection and analyzing the data:** Continuous collection of relevant data related to the identified risk indicators. This may involve reviewing financial reports, project status updates, incident reports, or other sources of information.
- **Comparing actual performance to thresholds:** Regular comparison of collected data to the predetermined thresholds or benchmarks. Assessing whether the risk indicators are within acceptable limits or if they indicate an increased level of risk thereby indicating risk revision.
- **Identification of early warning signs:** Continuous monitoring of early warning signs that may indicate a potential increase in risk. These signs include trends, deviations from normal patterns, or specific triggers that have been identified as precursors to risk events.
- **Report findings:** Summarizing the monitoring results and communicating them to relevant stakeholders to provide a clear and concise overview of the current risk status, any emerging risks, and any necessary actions that need to be taken.
- **Taking corrective actions:** If the monitoring identifies risks exceeding the predetermined thresholds, initiation of appropriate mitigation measures or corrective actions are implemented. This involves revisiting risk mitigation strategies, reallocating resources, or implementing contingency plans.
- **Updating risk documentation:** Ensuring Risk register and other risk management documentation are up to date with the latest monitoring findings and documenting any changes in risk profiles, new risks identified, or updates to risk mitigation plans etc.

11. Risk Reporting

Risk reporting is a crucial component of the risk management procedure. It involves the systematic communication of information about identified risks, their potential impact, and the effectiveness of risk mitigation measures to relevant stakeholders. The purpose of risk reporting is to provide decision-makers with the necessary information to understand and manage risks effectively.

- The Risk Controller is responsible for reporting to the risk management committee and to the stakeholders.

The Risk Reporting consists of below activities:

  - Action points and status against previous risk committee meeting
  - Overall stakeholders interviewed
  - Changes in Risk Register (Addition, Deletion, or any modification)
  - Summary of High, Medium, and Low risks as per rating criteria and heat map
  - Brief on Key High risks