

## **RISK MANAGEMENT POLICY**

## **I. PREAMBLE**

Risk Management is one of the most important aspects of corporate governance and aims to improve the governance practices across an organization. Risk management policy enables a Company to proactively manage its uncertainties and changes in its internal and external environment to limit the negative impacts and capitalize on opportunities.

## **II. OBJECTIVE OF THE POLICY**

Risk is inherent to any business activity and managing risk effectively is critical to the immediate and future success of the Company. As companies are prone to internal and external risks, the main objective of this Policy is to ensure sustainable business growth with safety and stability while promoting a pro-active approach in evaluating, reporting, and addressing risks associated with the business. The Policy endeavours to establish a structured and disciplined approach to risk management and to put in place appropriate methodology, processes and systems to monitor and evaluate risks associated with the business of the Company which can act as a guide to decision making, more specifically relating to risk encountered or anticipated by the business.

The objective of this Policy is to effectively identify, evaluate, monitor, minimize and mitigate identifiable risks.

This Policy is in line with Regulation 21 and 17(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulation, 2015), as amended which requires the Company to lay down procedures to inform the Board of Directors of the Company about risk assessment and risk minimization.

## **III. DEFINITIONS**

**“Audit Committee”** means the audit committee as constituted by the Board of Directors of the Company under Section 177 of the Companies Act, 2013 read with regulation 18 of Listing Regulations, 2015, as amended from time to time.

**“Board”** means the Board of Directors of Netweb Technologies India Limited.

**“Company”** means Netweb Technologies India Limited.

**“Risks”** are such events or probability of such events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the Company’s business objectives. The exposure to the consequences of uncertainty constitutes a risk.

**“Risk Management”** is a process that can be defined as the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to monitor, minimize and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

**“Risk Source”** is such an element which alone or in combination with another element has an intrinsic potential to give rise to a risk.

**“Risk Managers” or “Risk Owners”** means an accountable point of contact of the Company at the senior leadership level, who coordinates efforts to mitigate and manage the risks with various other individuals who own parts of the risk.

## **IV. PRINCIPLES OF RISK MANAGEMENT**

- Risk management is a dynamic and a continuous process.
- A systematic and well-organized approach to risk management is necessary to get consistent results.
- Risk management is integrated/embedded in all organizational activities.
- Risk management framework-process should be tailor made as per its objectives and the internal-external context.
- The risk management shall provide reasonable assurance in protection of business value from uncertainties and consequent losses.

- All concerned risk owners of the Company shall be responsible for identifying & mitigating key risks in their respective domain.
- The occurrence of risk, progress of mitigation plan and its status shall be monitored on a periodic basis.
- Risk management should involve all relevant stakeholders so that valuable insights are captured and enabled in effective decision making.
- Organization culture and human behaviours affects the risk management process.
- Information should be timely, clear and available to relevant stakeholders. The inputs to risk management are based on information that is both historical and current, as well as on expectations for the future. Risk management specifically accounts for any restrictions and uncertainties related to such information and expectations.

## V. POLICY STATEMENT

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

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

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

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

## VI. THE 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 a 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 make 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 and communication 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; and**
- **Risk management organisation structure**

**Risk management Process** can be defined as the identification, assessment, and prioritization of risks followed by the 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.

**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

Executive Level Risk Management Committee ('ELRM'): The ELRM shall be an executive level committee consisting of [o] and will report to the risk management committee. Functions of ELRM will include:

- a. determine key risks
- b. communicate the Policy to the employees
- c. direct & monitor the implementation of the Policy throughout the Company

## **VII. 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 inter-alia strategy, operations, finance, ESG 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 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.

#### **❖ ESTABLISHING THE EXTERNAL CONTEXT**

Understanding the external context is important in order to ensure that the objectives and concerns of 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;
- ♣ 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 will be 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;
- ♣ Information systems, information flows and decision making processes (both formal and informal);
- ♣ Standards, guidelines and models adopted by the organization.

## **(B) RISK ASSESSMENT**

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

### **❖ RISK IDENTIFICATION**

Risks are events that, when triggered, cause problems. Hence, risk identification may start with the source of problems, or with the problem itself. This stage involves the identification of sources of risk, areas of impacts, events (including changes in circumstances) and their causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of objectives. It is also important to identify the risks associated with not pursuing an opportunity. Comprehensive identification is critical, because a risk that is not identified at this stage will not be included in further analysis.

Risk Identification should start with all vertical and functional heads who, with the inputs from their respective team 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 shall be placed before the Risk and Audit Committee

### **❖ RISK ANALYSIS**

Risk analysis involves:

- ♣ consideration of the causes and sources of the risk
- ♣ the trigger events that would lead to the occurrence of the risks
- ♣ the positive and negative consequences of the risk
- ♣ the likelihood that those consequences can occur

Factors that affect consequences and likelihood should be identified. Risk is analysed by determining consequences and their likelihood, and other attributes of the risk. An event can have multiple consequences and can affect multiple objectives. Existing controls and their effectiveness and efficiency should also be taken into account.

### **❖ RISK EVALUATION**

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

Decisions should take account of the wider context of the risk and include consideration of the tolerance of the risks borne by parties, other than the Company. Decisions should be made in accordance with legal, regulatory, and other requirements.

## **(c) RISK TREATMENT**

Risk treatment involves selecting one or more options for mitigating or reducing the impact of the risks and implementing those options. 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:

**1. 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.

**2. 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.

**3. Sharing (transfer – outsource or insure)**

Sharing, with another party, the burden of loss or the benefit of gain, from a risk.

**4. 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 Company’s performance, processes shall be established to:

- ♣ Measure risk management performance against the key risk indicators, which are periodically 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 Company’s external and internal context;
- ♣ Report on risk, progress with the risk management plan and how well the risk management policy 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 during all 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.

**VIII. RISK REPORTING**

Reporting is an integral part of any process and critical from a monitoring perspective. The results of risk assessment need to be promptly reported to relevant person/Risk Management Committee for review, inputs, and monitoring.



## **IX. RISK MANAGEMENT ORGANISATION STRUCTURE**

### **✓ 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 review the effectiveness of the Company's risk management system on an annual basis.

### **✓ AUDIT COMMITTEE**

The Audit Committee would review bi-annually, the risk assessment & minimization procedures across the Company after review of the same by the Risk Management Committee. The role of the Audit Committee w.r.t risk management shall include:

- ♣ assist the Board in independently assessing compliance with risk management practices.
- ♣ act as a forum to discuss and manage key risks.
- ♣ to evaluate and ensure that the Company has an effective system internal financial control systems to enable identifying, mitigating and monitoring of the risks to the business of the Company
- ♣ provide the inputs to the Board for financial business risk mitigation
- ♣ monitoring and reviewing the performance of the financial Risk Owners
- ♣ monitoring and reviewing the performance of the ELRM w.r.t financial risk
- ♣ co-ordinate its activities with the RMC in instances where there is any overlap in their duties and responsibilities

### **✓ RISK MANAGEMENT COMMITTEE (RMC):**

- ♣ Risk Management Committee (RMC) shall assist the Board in framing policy, guiding implementation, monitoring, and reviewing the effectiveness of risk management policy and practices. RMC shall act as a forum to discuss and manage key strategic and business risks.
- ♣ The RMC shall have minimum three members with majority of them being members of the board of directors, including at least one independent director;
- ♣ The Chairperson of the RMC shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee;
- ♣ The RMC shall be responsible for managing, minimizing and monitoring all the non-financial risks and risk related to cyber security as identified by the Board of Directors. The role of the RMC shall include:
  - to assist the Board with regard to the identification, evaluation, classification and mitigation of non-financial risks and assess management actions to mitigate such risks;
  - to evaluate and ensure that the Company has an effective system internal control systems to enable identifying, mitigating and monitoring of the non-financial risks to the business of the Company;
  - to implement proper internal checks and balances and review the same periodically;
  - to put in place mechanisms for ensuring cyber security;
  - to ensure the implementation of the suggestions/remarks/comments of the Board of Directors on the Risk Management Plan ;
  - to monitor and review the performance of the non-financial Risk Owners;
  - to review effectiveness of risk management and control system;
  - periodic reporting to the Board of non-financial risk management issues and actions taken in such regard;
  - to monitor and reviewing the performance of the ELRM
  - co-ordinate its activities with the Audit Committee in instances where there is any overlap in their duties and responsibilities.

### **✓ RISK OWNER**

The role of the Risk Owners shall include:

- ♣ to act on the instructions of the Audit Committee and RMC;
- ♣ to maintain risk registers;

- ♣ periodically submit progress report to the Audit Committee and the RMC w.r.t Risk Management Plan;
- ♣ to implement the suggestions/remarks/comments of the Board of Directors through the Audit Committee/RMC in the Risk Management Plan considering the new financial and non-financial business risks and providing the periodical report on the same to the Audit Committee/RMC

#### ✓ **MEETINGS**

- ♣ The quorum for a meeting of the RMC shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance;
- ♣ The RMC shall be chaired by an independent director and it shall meet at least twice in a financial year or at such shorter intervals as may be required. The meetings of the RMC shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings; and

#### ✓ **INTERNAL AUDITOR**

Key responsibilities of Internal Audit w.r.t risk management shall include:

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

### **X. 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 viz. Environmental, Business, Operational, Financial and others. Communication of risk management Strategy to various levels of management for effective implementation is essential.

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

### **XI. BOARD APPROVAL**

The Action Plan and guidelines shall be approved by the Board before communication to the personnel for implementation. 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.

### **XII. REVIEW**

This Policy shall evolve by review by the Audit Committee, Risk Management Committee and the Board from time to time as may be necessary. This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company. The Policy shall be reviewed as and when required, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

This Policy may be amended or substituted by the Board as and when required and also by the Compliance Officer where there are any statutory changes necessitating the change in the Policy. However, no such amendment or modification will be binding on the Directors and employees unless the same is communicated in the manner described as above.

Version	Approving authority	Date of approval
Version 1	Board of Directors	13.03.2023
Version 2	Board of Directors	24.03.2025

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