



RISK MANAGEMENT POLICY

[ADOPTED BY BOARD ON 05.02.2025]

Description of the Document -

This document provides a brief description of the Risk Management at EXCELSOFT.

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1. INTRODUCTION:

Excelsoft Technologies Limited (“**the Company**”) considers ongoing risk management to be a core component of the Management of the Company and understands that the Company’s ability to identify and address risk is central to achieving its corporate objectives.

The Company’s Risk Management Policy (“**the Policy**”) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture and is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the Company and events outside the company which have a bearing on the Company’s business.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**the Listing Regulations**”) and Section 134(3) of the Companies Act, 2013 of the Companies Act, 2013 (“**the Act**”), which requires the Company to lay down procedures about risk assessment and risk minimization.

- i. The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as “**Committee**”) who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.
- ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day-to-day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

2. DEFINITIONS:

I. RISK

Risks are events or conditions that may occur, and whose occurrence, if they do take place, has a harmful or negative impact on the achievement of the organization’s business objectives. Exposure to the consequences of uncertainty constitutes a risk.

II. RISK MANAGEMENT

Risk management Process can be defined as the identification, assessment, and prioritization of risks followed by coordinated and economic application of resources to minimize, monitor, and to control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

III. IMPACT

The degree of consequences to the organization should the event occur.

Likelihood

The likelihood of the event occurring is expressed as an indicative annual frequency.

IV. CONSEQUENCE

Potential resulting events that could be affected by the key group risk.

V. RISK MANAGEMENT COMMITTEE

Risk Management Committee is Board nominated committee consisting of All Functional Director, Head of Treasury and Chief Risk Officer (CRO). Currently the RMC is headed by the Director (Marketing).

3. RISK MANAGEMENT PROGRAM:

The 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 business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Directors as stated above, 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 light of the day-to-day needs of the Company. 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.

The key elements of the Company's risk management program are set out below:

I. RISK IDENTIFICATION:

In order to identify and assess material business 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:

- Commodity risk.
- Business risk.
- Foreign exchange risk.
- Technological risks.
- Strategic business risks.
- Operational risks.
- Quality risk.
- Competition risk.
- Realization risk.
- Cost risk.
- Financial risks.
- Human resource risks.
- Legal/Regulatory risks.

II. OVERSIGHT AND MANAGEMENT:

a) BOARD OF DIRECTORS-

The Board of Directors (“**the Board**”) is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committees and Senior Management. The Committees or Management may also refer particular issues to the Board for final consideration and direction.

b) RISK MANAGEMENT COMMITTEE-

The Risk Management Committee shall have a minimum of three (3) members with majority of them being members of the Board of Directors, including at least two thirds of members of the Risk Management Committee shall comprise independent directors.

The Chairperson of the Risk Management Committee shall be a member of the Board of Directors and senior executives of the Company may be members of the Risk Management Committee.

The Risk Management Committee shall meet at least twice a year. The quorum for a meeting of the Risk Management Committee shall be either two (2) members or one third of the members of the Risk Management Committee, whichever is higher, including at least one member of the Board of Directors in attendance.

The meetings of the Risk Management Committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten (210) days shall elapse between any two consecutive meetings of the Risk Management Committee.

The day-to-day oversight and management of the Company’s risk management program has been conferred upon the Committee. The 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 of Directors on the effectiveness of the risk management program in identifying and addressing material business risks.

To achieve this, the 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 appropriate methodology, 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.
- review and monitor cyber security.
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

-To formulate a detailed risk management policy which should include:

- a. A framework for the identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, environmental social and governance-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.

- To co-ordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per framework laid down by the board of directors.

- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

- To approve major decisions affecting the risk profile or exposure and give appropriate directions.

- To consider the effectiveness of decision-making process in crisis and emergency situations;

- To balance risks and opportunities.
- To generally assist the Board in the execution of its responsibility for the governance of risk.
- To seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it is considered necessary.
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee; and
- Any other similar or other functions may be laid down by the Board from time to time and/or as may be required under applicable law, as and when amended from time to time, including the SEBI Listing regulations.

Further, the Company is exposed to commodity risks on a routine basis due to multiple commodities (imported or domestically procured) utilized in its manufacturing operations. Such risks are managed by a detailed and regular review at a senior level of various factors that influence commodity prices as well as tracking the commodity prices on a daily basis and entering into fixed price contracts with overseas suppliers in order to hedge price volatility.

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 and individual business units.

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 Risk Management Committee 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.

4. 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, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and 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 risk management program, the Committee, the Senior Management and employees responsible for its implementation.

Conscious that no entrepreneurial activity can be undertaken without assumption of risks and associated reward opportunities, the Company operates on a risk management process /framework aimed at minimization of identifiable risks after evaluation so as to enable management to take informed decisions.

The broad outline of the framework is as follows:

I. RISK IDENTIFICATION:

Management identifies potential events that may positively or negatively affect the Company's ability to implement its strategy and achieve its objectives and performance goals.

[Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

Internal risks include:

- Strategic Risk: Competition, inadequate capacity, high dependence on a single customer/vendor.
- Business Risk: Project viability, process risk, technology obsolescence/ changes, development of alternative products.
- Finance Risk: Liquidity, credit, currency fluctuation.
- Environment Risk: Non-compliances to environmental regulations, risk of health to people at large.
- Personnel Risk: Health & safety, high attrition rate, incompetence.
- Operational Risk: Process bottlenecks, non-adherence to process parameters/ pre-defined rules, fraud risk.
- Reputation Risk: Brand impairment, product liabilities.
- Regulatory Risk: Non-compliance to statutes, change of regulations.
- Technology Risk: Innovation and obsolescence.

- Information and Cyber Security Risk: Cyber security related threats and attacks, Data privacy and data availability.

External risks include:

- Sectoral Risk: Unfavorable consumer behavior in relation to the relevant sector etc.
- Sustainability Risk: Environmental, social and governance relates risks
- Political Risk: Changes in the political environment, regulation/ deregulation due to changes in political environment.
- Pandemic Risk: the likelihood of a disease spreading to multiple regions or the entire world
- Market Risk: rapid changes in the market.

II. ROOT CAUSE ANALYSIS:

Undertaken on a consultative basis, root cause analysis enables tracing the reasons / drivers for existence of a risk element and helps develop appropriate mitigation action.

III. RISK SCORING:

Management shall consider qualitative and quantitative methods to evaluate the likelihood and impact of identified risk elements. The likelihood of occurrence of a risk element within a finite time is scored based on polled opinion or from analysis of event logs drawn from the past. Impact is measured based on a risk element's potential

5. RISK MANAGEMENT SYSTEM:

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

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high-risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal Audit findings and provides

strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses. The Senior Management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

6. REVIEW AND AMENDMENT:

The Board shall review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities, and in accordance with applicable laws.

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

7. PENALTY FOR NON-ADHERENCE OF THE CLAUSE OF THE POLICY

Non-Adherence to any of the Clause as mentioned in this Policy will attract penalty as prescribed under Section 15 HB of Securities and Exchange Board of India Act, 1992.