CMS Info Systems Limited

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RISK MANAGEMENT POLICY

[In accordance with Regulation 17 and 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

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The Board of Directors has adopted the following policy and procedures with regard to risk management. This document lays down the framework of Risk Management at CMS Info Systems Limited (hereinafter referred to as 'the Company') and defines the policy for the same. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

1. OBJECTIVE OF THE POLICY

The Company seeks to establish a formal risk management policy to ensure the highest standards of operational best practices and corporate governance.

The risk management policy sets out the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the corporate culture. The 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. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

This Policy defines the approach towards risk management and the objective is to embed risk management as part of the culture of the organisation where the shared understanding of risk leads to well informed decision making.

The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed;
2. To establish a framework for the Company's risk management process and to ensure company-wide implementation;
3. To address the responsibilities and requirements of the management of the company as they fulfill their risk management duties;
4. To enable compliance with reference to risk management, wherever applicable, through the adoption of best practices.
5. To ensure achievement of the Company's vision and strategic priorities in line with its core values.

The policy once adopted by the Board is subject to on-going review whenever conditions warrant and at least once in two years including to consider the changing of industry dynamics and evolving complexity. This Risk Management Policy replaces the existing risk policies.

This policy is in line with Regulation 17(9) and Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') read with Para C of Part D of Schedule II, which requires the Company to lay down procedures for risk assessment and risk minimization.

2. DEFINITIONS

"Audit Committee" means Audit Committee constituted under Section 177 of the Companies Act, 2013 by the Board of Directors of the Company, and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"Board" means Board of Directors of CMS Info Systems Limited.
"Company" means CMS Info Systems Limited.
"Risk" is defined as the chance of a future event or situation happening that will have an impact upon company's objective favourably or unfavourably. It is measured in terms of consequence and likelihood.

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

3. CONSTITUTION OF RISK MANAGEMENT COMMITTEE

The Board shall constitute a Risk Management Committee which shall comply with the requirements prescribed under Regulation 21 of the SEBI Listing Regulations and other applicable laws.

The Board shall also define the roles & responsibilities of the Risk Management Committee which shall include those prescribed under Para C of Part D of Schedule II of the Listing Regulations and may, inter alia, delegate monitoring & reviewing of the risk management plan to the Committee and such other functions as it may deem fit.

4. RISK PHILOSOPHY AND PRINCIPLES

Risk is defined as any event that will impact achievement of the Company's objectives or, the level of exposure to uncertainties and level of vulnerability that the Company must and effectively manage as it achieves its objectives.

Risk may manifest itself in many forms and has the potential to impact the health and safety, environment, community, reputation, regulatory, operational, market and financial performance of the Company and, thereby, the achievement of the corporate objectives.

Risk management is a process deployed by the Company to help it aim at providing reasonable assurance regarding achievement of the Company's objectives. It is effected by the Company's Board of Directors, Management and other Personnel.

By understanding and managing risk the Company provides greater certainty and confidence to its shareholders, employees, bankers, customers and suppliers, and for the communities in which it operates.

In order to fulfil the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

- The Company acknowledges that all activities have an element of risk and that not all risks can or should be transferred.
- Since many risks can impact Company's reputation, all risks must be evaluated in terms of the potential impact on Company's reputation.
- The Company does not intend to engage in speculative activities which are defined as a profit- seeking activity unrelated to its primary business objective.
- Risk issues will be identified, analysed and ranked in a consistent manner. Common systems and methodologies will be used.
- All business decisions will be made with the acknowledgement and acceptance of risks involved.
- The Risk Management Policy provides for the enhancement and protection of

business value from uncertainties and consequent losses.

- All employees of the Company shall be made aware of risks in their respective domains and their mitigation measures.
- The risk mitigation measures adopted by the Company should be effective in the long-term and, to the extent possible, be embedded in the business processes of the Company.
- Risk tolerance levels will be regularly reviewed and decided upon depending on the change in Company's strategy.
- The occurrence, progress and status of all risks will be promptly reported, and appropriate actions be taken for the mitigation thereof.

5. RISK MANAGEMENT FRAMEWORK:

An effective risk management framework requires consistent assessment, mitigation, monitoring and communication of risks. The Enterprise Risk Management framework of the Company shall encompass the following:

- **Risk Management Organization** defining roles and responsibilities of the risk management functions (Refer Section 6 for details on Risk Management Organization)
- **Risk Management Process** to define the process for risk assessment, risk mitigation and risk monitoring. (Refer Section 7 for details on Risk Management Process)
- **Risk Management Activity Calendar** detailing schedule of activities to be performed in a systematic manner (Refer Section 8 for details on Risk Management activity calendar)

The Company's Risk Management framework shall covers the following components:

- **Internal Environment –** The internal environment encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
- **Objective Setting –** The objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
- **Event Identification –** Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities.

Opportunities are channeled back to management's strategy or objective-setting processes.

- **Control Environment –** Focuses on Risk Management Culture, Risk awareness and profile of the Organization
- **Risk Assessment –** Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.
- **Risk Response –** Management selects risk responses – avoiding, accepting, reducing, or sharing risk – developing a set of actions to align risks with the entity's risk tolerances and risk appetite.
- **Control Activities –** Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.
- **Information and Communication –** Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.
- **Monitoring Activities –** The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

6. RISK MANAGEMENT ORGANIZATION

A robust organizational structure for managing and reporting on risks is a pre-requisite for an effective risk management process.

The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the concerned 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 structure and roles and responsibilities of the risk organization will be as follows.

A. Role of the Board of Directors

The Board of Directors shall be responsible review and approving the Risk Management Policy on the recommendation of the Risk Management Committee. The Board shall give directions to the Risk Management Committee on top priority risks and review the risk management strategy implemented to manage and mitigate the identified risks. The Board shall oversee the development and implementation of risk management framework

B. Role of Audit Committee:

The Audit Committee has the responsibility to implement internal financial controls system, review adequacy and effectiveness of risk management systems.

C. Role of Risk Management Committee:

The Risk Management Committee has the responsibility of overseeing all risks associated with the activities of the company and in establishing a strong internal control environment that fulfills the expectations of the company's stakeholders / investors and is consistent with safe and sound practices.

The exceptions to policies, procedures and parameters will be reviewed and evaluated by the Risk Management Committee for appropriate resolution. The Risk Management Committee will review this policy statement on at least bi-annually, or sooner, depending on the circumstances facing the organization.

The Risk Management Committee shall ensure continuous improvement in Risk Management Framework to ensure implementation of ERM global leading practices.

D. Role of the Management team:

The Management team provides an overall assessment of risks that are impacting the activities of the Company and will meet on a periodic basis or whenever events warrant. The Management is responsible for the following activities:

- Monitor compliance with risk limits established for the Company;
- Review and approve modifications to existing policies, procedures, risk appetite, risk tolerance limits and other risk parameters on a periodic basis. All modifications must have Board Risk Committee approval;
- Report to the Board of Directors on risk evaluation and assessment on a periodic (at least annual) basis. The Management would report on overall process of evaluation and assessment, progress of evaluation of control effectiveness by Risk Effectiveness Assessment/Audit, key control deficiencies observed and control measures to address these. The reporting would also include significant changes in assessment of key (High) risks or new key risks identified, if any.

E. Role of Functional Heads:

The Functional Heads are the personnel who are best placed to influence and manage the risk/ control or are best placed to report on the risk/ control. On an ongoing basis, The Functional Heads shall monitor their areas for new risks/events or assess changes in risk exposure; as well as carry out periodic assessment of controls in line with the above.

The Functional Heads shall be responsible for:

- Ongoing identification and evaluation of risks within the business and operations;
- Selecting and implementing risk management measures on a regular basis;
- Managing certain specified risks under the guidance of the Management & Risk Management Committee;
- Reviewing the effectiveness, efficiency and suitability of the risk management process and addressing weaknesses;
- Maintaining efficient and cost effective risk handling mechanisms or control framework in line with changes in the business.

F. Role of CRO / Head – Risk:

The role of CRO / Head - Risk is crucial for operationalizing the risk framework. The role of Head - Risk is an intricate position as it influences all lines of defense. The Head - Risk must:

- Question the efficacy of the risk identification and mitigation process practiced by each function
- Advise the management and the Risk Management Committee on the framework
- Evaluate findings of the independent risk assessment or testing of the framework

The Head - Risk shall have the following skills:

- Strong understanding of the company's business and various risks across business functions
- Deep understanding of risk management and various attributes contributive to risk management design and operations. This implies that the Head - Risk should be able to, based on facts and experience, be able to question where needed the basis of identification & prioritization of risk, the effectiveness of the mitigation plan and operationalization of the framework.
- Head - Risk should have the experience and skill to guide various Functional teams on risk awareness and operationalizing an effective framework

The Head - Risk is responsible for the following activities:

- Be part of the ERM Framework design process to have understanding of the framework from its inception.
- Assess the risk framework i.e. operationalized in terms of its effectiveness and the method of risk updation and testing
- Enforcing compliance with the risk management framework at all levels
- Ensure any key risk with immediate impact or developing risk situation is escalated to right authority without delay and mitigation plan is put in place
- Ensure all key risks are reported to Risk Management Committee to ensure full disclosure.
- Identifying and putting emphasis on the potential impact of weaknesses in the risk management system
- Implementing the framework with periodic follow up and monitoring of how risk libraries are maintained and kept relevant.

The Head - Risk may structurally be part of a function, but the performance evaluation of the Head - Risk should, in addition to the functional lead, be presented to the Risk Management Committee or a Board Committee for their review and comments.

7. RISK MANAGEMENT PROCESS

The processes mentioned below are in the sequence followed, for performing risk management, which is meant for uses at initial stage of implementing the Risk policy which can be used further also at later stage if required and feel so by the Board. Risk Management is a dynamic process and almost any component can and will influence another.

A. Risk Identification

The risk management process starts with the systematic identification of key risks and their root causes**.** Only if such risks and root causes are recognized in a timely manner can they be successfully managed. A prerequisite for efficient risk identification and subsequent risk evaluation is a consistent and comprehensive understanding of business objectives and strategies. Based on these targets potential opportunities and threats can be identified, which may lead to a deviation from objectives or plans.

A list of key risks impacting achievement of objectives will be reviewed on an ongoing basis as a part of the daily business activities by the Risk Owners.

There could be other risks or root causes which will emanate because of changes in the internal or external environment due to uncertainties and increase in vulnerability within which the Company operates. These risks and root causes shall be identified by the business managers (i.e. Risk Owners) during the normal course of business and assessed using the risk tolerance levels and the likelihood parameters that have been defined.

The reporting of new events / incidents post assessment should be done to the designated Risk Coordinator on a quarterly basis.

B. Risk Assessment

Once risks are identified, they shall be evaluated or assessed, i.e., the impact of the risk shall be quantified to determine its potential effect on the profit and its probability of occurrence. The key objective is to measure the relative importance of risks, which enables prioritization and focus on important risks. Key risks impacting achievement of objectives for the respective financial year will be assessed for impact and likelihood. The assessment will take into consideration the risk tolerances that have been defined for achievement of the Company's objectives.

Each risk will be assessed for impact (materiality of the risk if it occurs) and likelihood (at an agreed level of impact, the probability of the event taking place). These two parameters determine the importance of risk to the organization. Based on the impact and likelihood the risk exposure will be categorized into four categories - extreme, high, medium and low.

Risks are assessed before and after risk handling measures. The assessment of risks at the inherent level (before considering actions management might take to reduce the likelihood or the impact of the risk) makes it possible to prioritize risks. The assessment of risks at the residual level (risk that remains after management's response to the risk) helps determine whether the current risk position of the Business Unit/ Department is acceptable or requires improvement.

All risks are assessed at the inherent and residual levels.

C. Developing Risk Response and Assessing Control Activities

The third stage of the risk management process is *risk handling.* Management shall select a series of actions to align risks with the Company's risk appetite and risk tolerance levels to reduce the potential financial impact of the risk should it occur and/ or to reduce the expected frequency of its occurrence. Possible responses to risk include avoiding, accepting, reducing or sharing the risks.

- **Risk avoidance:** Withdrawal from activities where additional risk handling is not cost effective and the returns are unattractive in relation to the risks faced (e.g. refuse orders, withdraw from projects).

- **Risk acceptance:** Acceptance of risk where additional risk handling is not cost effective, but the potential returns are attractive in relation to the risks faced.

- **Risk reduction:** Activities and measures designed to reduce the probability of risk crystallizing and/ or minimize the severity of its impact should it crystallize (e.g.; hedging, loss prevention, crisis management, business continuity planning, quality management).

- **Risk sharing:** Activities and measures designed to transfer to a third party responsibility for managing risk and/ or liability for the financial consequence of risk should it crystallize.

In accordance with the defined roles and responsibilities, the Risk Owner shall be responsible for implementing sufficient risk handling to manage risks at an acceptable level. If necessary, guidance on the development and implementation of risk handling measures may be attained from the designated Risk Coordinator or Board.

Where there is either insufficient or excessive risk handling it is the Risk Owner's responsibility to develop action plans to rectify the situation and ensure their timely completion. Action plans will be prioritized according to the risk content.

The cost of implementing additional risk handling needs to be recognized and wherever possible alternative options will be evaluated to find the most cost-effective option to handle risks. In circumstances where action plans have a long implementation timeframe consideration will be given to interim options.

D. Monitoring Risks and Controls

There shall be adequate controls and ongoing monitoring mechanisms to enable timely notification of fundamental changes in risks or their handling measures. Since the internal and external environment within which the Company operates is exposed to change continuously, the risk management process shall remain sufficiently flexible to accommodate new situations as they arise. Risk responses that were once effective may become irrelevant; control activities may become less effective, or no longer be performed; or entity objectives may change. In the face of such changes, Risk Coordinator shall determine whether the functioning of the risk management framework continues to be effective.

Monitoring in the Company will be done in two ways:

i. **Internal Audit** or Risk Officer may be asked to evaluate the relevance and effectiveness of the risk management framework on periodic basis.

ii. **Ongoing monitoring** by the Risk Owners and designated Risk Coordinators:
   - **Risk Owners from Business Units** are responsible for monitoring the relevance of key risks and effectiveness of their counter measures. They are also responsible for the development and implementation of risk management action plans.
   - **The designated Risk Coordinator** is responsible for monitoring adherence to the risk policy and guidelines and reviewing the overall risk management system in light of changes in external and internal environment within which the Company operates.

E. Risk Reporting

Periodic reporting on risks is required to determine whether the impact or likelihood of the risk is increasing or decreasing and to ensure continuing alignment of organizational resources to priorities. The reporting of key risks and risk handling measures is necessary to:

- Improve the quality of and support timely decision making;
- Determine priorities for action and improvement;
- Enable senior management to satisfy themselves that the key risks are being identified and managed to an acceptable level.

Details of risk profile facing various Business Units/ Departments will be documented in the form of a Risk Register maintained by the Risk Owners and periodically (quarterly) reported to the designated Risk Coordinator along with details of risk mitigation measures, etc. The designated Risk Coordinator will in turn report to the Board for guidance.

Risk reporting shall comprise the following elements:

- Business unit/ department-specific description of key risks and opportunities;
- Risk Rating or evaluation (after handling measures) of risks regarding expected probability and impact on ‘Profit’ or other key Company objectives as assessable;

- Description of key risk handling measures including value of these handling measures. The value of the risk handling measure is a sum of this associated incremental cost. This should be quantified wherever possible;
- Statement of changes (including materialized risks or including of risks into Risk Register compared to the last risk reporting of the Business unit/ Department.

8. RISK MANAGEMENT CALENDAR

The Risk Management Calendar provides a listing of key activities that need to be performed along with times lines for the same. The table below illustrates key elements of the Risk Management Activity Calendar which shall be adhered by the Company:

Element	Timeline
Risk Identification	On a continuous basis
Risk Measurement and prioritization	Continuously for risks perceived to be of a critical nature.
Risk mitigation strategies	Simultaneously with the risk prioritisation process.
Reporting	Half yearly to Risk Management Committee.

9. BUSINESS CONTINUITY PLAN

The Company shall establish and maintain a robust business continuity plan (BCP) that covers all aspects of our operations. The BCP shall be designed to ensure that the Company can continue to deliver its services and products to its customers and stakeholders in the event of any unforeseen disruption, such as natural disasters, cyberattacks, or pandemics.

Our BCP shall consists of the following key elements:

- **Assessment:** The Company shall identify and prioritise its critical business functions and their dependencies on internal and external resources. The Company shall also assess the potential impact and likelihood of various disruption scenarios on its business value and objectives.

- **Planning:** The Management shall strive to develop and document strategies and procedures to resume or restore the critical business functions within the agreed recovery time objectives (RTOs) and recovery point objectives (RPOs). The management shall also allocate roles and responsibilities for the implementation and execution of the BCP.

- **Capability validation**: The Company shall periodically test and evaluate the BCP on a regular basis to ensure its effectiveness and efficiency.
- **Communication and coordination:** The Company shall strive to establish and maintain communication channels and protocols with its employees, customers, suppliers, regulators, and other stakeholders before, during, and after a disruption.

The BCP shall form an integral part of the Company's Enterprise Risk Management (ERM) framework.

10. AMENDMENTS TO THE POLICY

The Board of Directors on its own can amend this Policy, as and when required as deemed fit. Any or all provisions of the Policy would be subject to revision / amendment in accordance with the Regulations on the subject as may be issued from relevant statutory authorities, from time to time.

This policy is adopted by the Board of Directors of the Company in its meeting held on October 25, 2023 pursuant to the recommendation and approval of the Risk Management of the Company in its meeting held on October 25, 2023.

For CMS Info Systems Limited

Sd/-

Debashis Dey
Company Secretary

Place: Mumbai