

R) RISK ASSESSMENT & MANAGEMENT POLICY

RISK ASSESSMENT & MANAGEMENT POLICY

Issued by Board of Directors

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Introduction

The Board of MAS Solar Systems Limited ('the Company') is responsible for overseeing the establishment and implementation of risk management systems by the management and reviewing its effectiveness.

In terms of provisions of Section 134(3)(n) of the Companies Act, 2013 ("Act"), there shall be attached to statements (i.e. financial statements) laid before a company in general meeting, a report by its Board of Directors, which shall include - "a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company".

Further, in terms of provisions of the Regulation 17(9)(a) & (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures. The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

1. Definitions

1.1 Risk

Risks are 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 organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

1.2 Risk Management

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

1.3 Risk Strategy

The Risk Strategy of a company defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the company.

1.4 Risk Assessment

Risk Assessment is defined as the overall process of risk analysis and evaluation.

1.5 Risk Description

A Risk Description is a comprehensive collection of information about a particular risk recorded in a structured manner.

1.6 Risk Register

A 'Risk Register' is a tool for recording the risks encountered at various locations and levels in a standardized format of Risk Description.

2. Objectives of the Policy

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, including the development of the Risk register, in order to guide decisions on risk related issues. The specific objectives of the Risk Management Policy are:

- a. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.
- b. To establish a framework for the company's risk management process and to ensure company wide implementation.
- c. To improve decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
- d. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices
- e. To assure business growth with financial stability.

3. Risk Management Policy

Risk management is a central part of any organisation's strategic management. It is the process whereby an organisation methodically addresses the risks attaching to their activities with the goal of achieving sustained benefits within each activity and across the portfolio of all activities.

The focus of good risk management is the identification and treatment of these risks. Risk management should be a continuous and developing process which runs throughout the organization's strategy and the implementation of that strategy.

3.1 Principles of Risk Management

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:

- a. All business decisions will be made with the prior information and acceptance of risk involved.

- b. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.
- c. All employees of the company shall be made aware of risks in their respective domains and their mitigation measures.
- d. The risk mitigation measures adopted by the Company shall be effective in the long-term and to the extent possible be embedded in the business processes of the company.
- e. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in the Company's strategy.
- f. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

3.2 Risk Management Policy Statement

1. To ensure protection of shareholder value through the establishment of an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks, which shall include:
 - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG 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.
2. To provide clear and strong basis for informed decision making at all levels of the organisation.
3. To continually strive towards strengthening the Risk Management System through continuous learning and improvement.
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

4. Scope and Extent of Application

The policy guidelines are devised in the context of the future growth objectives, business profile envisaged and new business endeavours including new products and services that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations.

This policy 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 shall operate in conjunction with other business and operating/administrative policies.

5. Risk Mitigation

Mitigating measures have been identified for majority of the perceived risks. There is however always a residual risk attached to any business. The Company has implemented a continuous monitoring mechanism to deal with such risks on an ongoing basis. Details of various initiatives taken towards achieving this objective are as follows:

5.1 Strategic Planning

y.h

The Company has a strong strategic planning and budgeting process in place supported by budgetary controls at operational level.

Company's management meets periodically for a detailed strategic & operational review of each business segment, taking into account the business environment.

5.2 Communication & Reporting

Members of the core management team review the implementation of these strategies and also ensure that adequate efforts are being made to mitigate the risks perceived. Actual performance is measured against budgets by the management on a regular basis.

5.3 Operational Initiatives For Managing Risk

Policies & Procedures – To strengthen internal controls over business processes the Company has designed Policies and Procedures and circulated them across the organisation.

5.4 Audits & Reviews

Internal Audits: A firm of Chartered Accountants ASSK & Associates, Coimbatore whose appointment is approved by the management, conducts regular internal audit reviews. The observations and recommendations are reviewed and discussed with top management. The implementation status is reviewed regularly for each department.

6. Risk Assessment

6.1 Risk Identification and Categorisation

The risk associated with MAS Solar Systems Limited business activities and decisions are classified as:

Operational Risk

These concern the day-to-day issues that the organization is confronted with as it strives to deliver its strategic objectives.

Financial Risk

These concern the financial transactions entered by the organization in domestic as well as foreign currency.

Sectoral Risk

'Sectoral Risk' refers to the factors that can impact (both positively and negatively) a particular industry/ sector, which can in turn affect companies within the sector. Just as the economic performance of economies can vary widely, the performance of industries across the spectrum too can differ considerably.

Sustainability Risk

Sustainability risk is defined as the exposure to practices that negatively impact the environment and the people involved in the process chain. Climate change, water scarcity, disease, and poor labor conditions are some key factors that increase sustainability risk.

Information Risk

Information risk is a calculation based on the likelihood that an unauthorized user will negatively impact the confidentiality, integrity, and availability of data that you collect, transmit, or store

Cyber Security Risk

Cybersecurity risk is the probability of exposure or loss resulting from a cyber attack or data breach on your organization. A better, more encompassing definition is the potential loss or harm related to technical infrastructure, use of technology or reputation of an organization.

Other Risks

Any other risk which affects the business negatively and cannot be categorized in any of the above classifications.

6.2 Risk Description

A risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures. Risk descriptions for each of the risks identified in the Risk

Matrix are to be documented and recorded in structured format in each area where the risk is identified. The suggested format is provided in table below:

Table – Risk Description

1.	Name of Risk
2.	Scope of Risk – Qualitative description of the events, their size, type, number and dependencies
3.	Nature of Risk E.g. strategic, operational, financial, knowledge or compliance
4.	Stakeholders Stakeholders and their expectations
5.	Quantification of Risk Significance and Probability
6.	Risk Tolerance / Appetite • Loss potential and financial impact of risk
	• Value at risk
	• Probability and size of potential losses/gains
	• Objective(s) for control of the risk and desired level of performance
7.	Risk Treatment & Control Mechanisms • Primary means by which the risk is currently managed
	• Levels of confidence in existing control
	• Identification of protocols for monitoring and review
8.	Potential Action for Improvement Recommendations to reduce risk
9.	Strategy and Policy
	Developments Identification of function responsible for developing strategy and policy

6.3 Risk Evaluation

Each of the identified risk is assessed for an inherent risk rating on the twin factors of probability/ frequency and impact/ severity and have, accordingly been classified into the following ratings:

- a. Very High
- b. High
- c. Medium, and
- d. Low

The process of identifying the likelihood/frequency and impact/severity of risk events is a both quantitative and qualitative process of analysis.

After finalizing the impact and likelihood rating the inherent risk rating is calculated using the formula:

$$\text{Inherent Risk Rating} = \text{Impact} \times \text{Likelihood}$$

(Refer Annexure 'A' and 'B')

6.4 Risk Analysis

After completion of risk analysis process, compare the estimated (residual) risk against various risk criteria i.e. associated costs and benefits, legal requirements, socio-economic and environmental factors, concerned of stakeholders etc. Based on risk evaluation management should decide whether the risk should be accepted or treated.

6.5 Role & Responsibility of Risk Organization

A. Risk Management Committee (RMC) – RMC to promote enterprise risk culture in MAS Solar Systems Limited and oversee the risk management process. RMC is also responsible for reviewing and approving risk disclosure statements in public documents or disclosures. Risk Committee is reporting to board on key risk management issues on quarterly basis.

B. Risk Council (RC) - RC is accountable to the Risk Management Committee and the Board for enabling the business to balance risk and rewards. RC shall work closely with Risk Owners in deploying risk mitigating measures and maintenance of Risk Register. RC shall update Risk Management Committee on consolidated view of all risks on a periodical basis.

7.19

C. Risk Manager (RM) – RM shall update Risk Management Committee on consolidated view of all risks, based on deliberations within the RC, on a periodical basis. RM should act as a facilitator between RC and Risk Owners (ROs). RM shall also work closely with ROs and update risks to RC on a periodical basis.

D. Risk Owners (ROs) – Risk Owners (Operations and Functions) are responsible to manage and identify risks in their functional domain, Preparation of mitigating action plans and follow ups. Risk owners shall report on status of implementation plan against identified risks to RM on a periodical basis.

6:6 Risk Strategy

Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time, 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. The risk mitigation can be planned using the following key strategies:

Risk Avoidance: By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

Risk Transfer: Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging

Risk Reduction: Employing methods / solutions that reduce the severity of the loss e.g., concrete being done for preventing landslide from occurring.

Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for small 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.

6.7 Risk Registers

MAS Solar Systems Limited shall prepare 'Risk Registers' as a measure. The Risk Registers will be maintained for capturing comprehensively all risks identified, categorised and assessed as specified in the policy.

7. Annexure

A. Impact and Likelihood Rating

Risk = Impact * Likelihood

Impact

Impact Risk category Financial Impact

Impact on profit/ Revenue Qualitative Impact

Very High

>5% Significant impact on Reputation, Business Capacity, Market Share, Customer relations

High

3% to 5% Significant but Recoverable impact on Reputation, Business Capacity, Market Share, Customer relations

Medium 1% to 3% Moderate impact on Reputation, Business Capacity, Market Share, Customer relations

Low <1% Relatively insignificant or limited impact on Reputation, Business Capacity, Market Share, Customer relations

Likelihood

Risk Probability Occurrence in the Past % of Chances Occurrence in Future

Likely Similar instances have commonly occurred in the past year Over 80% Very high, will be almost a routine feature within the immediate year

Possible Similar instances have occurred several times in the past year 50% to
80% High, may arise several times within the next year
Unlikely There have been 1 or 2 similar instances in the past year 5% to 49% Possible,
 may arise once or twice within the immediate next year
Remote Similar instances have never occurred Less than 5% Not likely, almost
 impossible to occur between 2 (from now) to 5 years

B. Inherent Risk Rating Heat Map

Risk Impact	Risk Probability			
	Low (1)	Medium (2)	High (3)	Very High (4)
Remote (1)	1	2	3	4
Unlikely (2)	2	4	6	8
Possible (3)	3	6	9	12
Likely (4)	4	8	12	16

(12-16) **Very High risk**
 (8-9) **High risk**
 (3-6) **Medium risk**
 (1-2) **Low risk**

J.H.