

# **Risk Management Policy**

# **PUNE E STOCK BROKING LIMITED**

## **Risk Management Policy**

### **1. Purpose of risk management**

**PUNE E STOCK BROKING LIMITED** (the Company) is committed to high standards of business conduct and responsible risk management to achieve sustainable business growth, protect the company's assets, avoid major surprises related to the overall control environment, safeguard shareholder investment and ensure compliance with applicable legal requirements

- This Risk Management Policy (the Policy) complements and does not replace other existing compliance programs, including but not limited to those relating to environmental, quality and regulatory compliance matters.
- Through this Policy, it is intended to ensure that an effective risk management framework is established and implemented within the Company and to provide regular reports on the performance of that framework, including any exceptions, to the Audit Committee / Board.

### **2. Applicability**

This Policy applies to the Company and all its employees.

### **3. Objective of Risk Management Policy**

The Policy's objectives include:

- Identification and mitigation of existing and potential risks in a structured manner.
- Development of a "Risk Mitigation Approach" that enables all internal stakeholders to identify various existing / potential risks and appropriately respond to them in the most effective manner.

To achieve the risk management objective, the Company aims to ensure that:

- The acceptance and management of risk is integrated in day-to-day management of the business;
- Key risks are identified, assessed in the context of Company's threshold for risk and the potential impact on the achievement of objectives, continuously monitored and managed to an acceptable level;
- The escalation of risk information is timely, accurate and gives complete coverage of the key risks to support management decision making at all levels; Risk is primarily undertaken and managed by the business entity transacting the business which gives rise to the risk; and
- All employees actively engage in risk management within their own areas of responsibility.

### **4. Approach**

#### **4.1 Process**

- Each Manager must periodically assess the inherent and potential risks that are likely to have an impact on the business or function in a structured manner on a periodic basis.
- Each Manager must then create a risk mitigation plan by employing an effective system of internal controls & checks and balances to mitigate the risks in the most effective manner, including designating responsibilities and providing for upward and onward communication of any significant issues that may merit attention or escalation.

Risk identification, assessment and management is a continuous process supported by formal structured reviews that need to be conducted on a periodic basis as may be warranted.

#### 4.2 Risk Register

The risk profile of and related parameters pertaining to the Company will be captured in the Risk Register.

#### 4.3 Assessment of Risks

Risk assessment enables risks to be appropriately rated and graded in accordance with their potential impact and likelihood. The two key components of risks are the probability (likelihood) of occurrence and the impact (consequence) of occurrence, if the risk occurs. Risk is analyzed by combining estimates of probability and impact in the context of existing control measures. Existing control measures are evaluated against Critical Success Factors (CSFs) and Key Performance Indicators (KPIs) identified for those specific controls. Guiding principles to determine the risk consequence (impact), probability of Occurrence (likelihood factor) and mitigation plan effectiveness have been set out in **Appendix 1**.

#### 4.4 Risk reviews

A risk review involves an objective re-assessment of all risks recorded on the Risk Register to ensure that the mitigation plans and actions are commensurate with the risk profile. The Risk Register is to be reviewed and assessed every year at appropriate levels.

#### 4.5 Escalation Mechanism

It is critical for an internal control and communication system to be agile and effective to be able to comprehensively evaluate risks and appropriateness of a risk mitigation plan, as well as encourage an upward and onward communication of any significant issues that may merit attention or escalation to functional heads, who will brief risk coordinators, who shall then report them to the Audit Committee.

### 5 Structure

#### 5.1 Roles and responsibilities

The risk management roles and responsibilities will be as follows

<b>Role</b>	<b><u>Responsibilities</u></b>
<b>Board</b>	Approve risk policy and strategy
	Review risk observations (if any) by Audit Committee
<b>Audit Committee</b>	Reviews risk policy and strategy
	Review risk assessment reports
	Review risk mitigation plans
<b>Internal Audit</b>	Confirms compliance
	Provides assurance on risk mitigation approach
	Scopes audit work based upon severity of risk to the business
<b>Internal Stakeholders</b>	Compliance with Risk Management Policy

## Appendix 1 – Guiding principles for determining risk exposure

**Risk Exposure = Impact factor (Risk Consequence) X Likelihood factor (Probability of Occurrence)**

### Definition of Ratings

Impact (Risk Consequence)	Description
3 High	>10% impact on Profit before Tax >20% impact on Turnover Critical impact on Brand value/ Quality of Service/ Market Share / Alliances
2 Medium	5% to 10% impact on Profit before Tax 10% to 20% impact on Turnover Short term impact on Brand value/ Quality of Service/ Market Share / Alliances
1 Low	<5% impact on Profit before Tax <10% impact on Turnover Potential impact on Brand value/ Quality of Service/ Market Share / Alliances

Likelihood (Probability of Occurrence)	Description
3 High	Event is expected to occur in most circumstances (within 12 months) Existing scenario, unlikely to change in near future Probability of >80%
2 Medium	Event will occur in most circumstances (next 12 to 18 months) Probability 50-80%
1 Low	Event will occur in most circumstances (next 18 to 36 months) Probability 20-50%

Mitigation Plan	Multiplication factor	Description
Weak	1	Very few controls in place Effective mitigation plan to reduce risk impact to an acceptable level not identified / identifiable
Satisfactory	0.75	Controls are largely in place Mitigation plans implemented to a large extent
Strong	0.50	Controls are fully operational Risks are effectively mitigated