RP-SG BUSINESS PROCESS SERVICES LIMITED

RISK MANAGEMENT POLICY

1. Legal Framework

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 has also incorporated various provisions in relation to Risk Management policy, procedure and practices.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy".

The Company recognises its responsibility to manage risk in an effective and efficient manner as a fundamental component of business operations. The Company is committed to identifying and analysing risks associated with activities and operations with the objective of maintaining a safe workplace, minimising losses and maximising opportunities, developing appropriate risk treatment options, and informed decision-making.

Risks can be threats or opportunities and a failure to manage them is a significant danger to the Company's survival and growth. The purpose of this policy is also to communicate the Company's common and systematic approach to managing risk.

2. Potential Benefits

Potential benefits likely to flow from risk management are – (a) fewer shocks and unwelcome surprises, (b) enhances communication, (c) promotes efficiency, (d) enables quicker grasp of new opportunities, and (f) supports more effective use of resources. It is recognized that it takes real time disasters to appreciate the benefits of a structured risk management system put in place moving well beyond a mere compliance-oriented approach.

3. Objectives

The objectives of undertaking the risk management exercise will be to

- ✓ make a comprehensive review of the Company's significant activities in order to define the risks flowing from such activities,
- ✓ prioritize not more than ten risks for focused approach thereon,
- ✓ embed a risk management culture across the Company,

- ✓ revise risk management policies appropriately from time to time, and
- ✓ keep the Board of Directors / Shareholders appropriately informed of the risk management initiatives and status thereof.

4. **Risk Management Structure**

The Company has a Risk Committee with senior executives (RC) of the Company was in place for guiding a cross functional Risk Management team (CFT) formed at the operating level with executives drawn from different divisions of the Company.

5. **Risk Management System**

A. Risk Identification

- ➢ Techniques: The first step in the risk management process will be in-house identification of the risks of each Division by the CFT member by applying one or more techniques like brainstorming, questionnaires, benchmarking, workshops, incident investigation, auditing / inspection and so on. Breaking each major activity into several small processes may help effective identification of risks.

- ➢ Categories of Risks: There may be two broad categories of risks – (a) risks in connection with the current business operations, (b) risks envisaged for upgrading the business activities to a higher level of excellence.

- ➢ Unacceptable Risk: Non-compliance of any applicable law and/or regulation is not an acceptable risk. WBERC regulations relating to the standards of performance by the Licensees may fall in this category.

- ➢ Benchmarking: Benchmarking is an important yardstick in risk identification. If industry benchmarking is not considered appropriate for any particular activity, an alternative may be to set our own standard and measure risks accordingly. For instance, for material buying activity, industry benchmarking may be appropriate but for areas relating to the performance of the Generating Stations, our own target may often be considered more relevant.

- ➢ Describing Risks: CFT members may then prepare brief write-ups as to the past and present profile of each identified risk (what can go wrong?), the probability of its occurrence (how often?), the likely monetary impact of the risk if measurable (how bad can it get?), the recommended steps for risk management and the action plan for exploring any opportunity linked with such risks.

- ➢ Opportunities: While identifying risks, CFT members should make conscious efforts to identify opportunities also. For example, an exercise to examine the adequacy of insurance coverage will also explore the opportunity to reduce the outgo on insurance premium by undertaking a comprehensive risk-benefit analysis.

6. **Risk Assessment**

- ✓ Ranking of Risks: CFT members will assess the probability of occurrence potential and severity of loss in respect of each identified risk and will rank risks according to their perceived importance on a scale of 1 to 4 (4 being the one with the Highest risk followed by Medium (3), Low (2) and Very Low (1) risk items). Accordingly, if a particular risk like accidents in our network leading to injuries / deaths scores 4 both in terms of probability and severity, it obviously calls for focused attention.

- ✓ Risks with high loss potential: In practice, however, a risk with high loss potential but lower probability of occurrence may also assume special significance in the context of CESC's business. For example, if the probability of a serious fire destroying the Computer House network with the present system of weekly updation of the back-up data and program archives located elsewhere is considered to have severe risk potential by affecting the billing schedule, such a risk may deserve special attention even though the probability of its occurrence may seem low.

- ✓ Risk prioritization: On completion of the process of Risk Assessment by CFTs, the RC will first prioritize around fifteen key risks for having them analyzed in greater detail for pruning the list later to around ten items. Alternatively, if possible, a list of around ten key risks may be made initially itself. The risks include in the list will be covered by the risk treatment initiative summarized below.

- ✓ Periodical Review: The above list of key risks will be reviewed on a yearly basis and updated as necessary.

B. Risk Treatment

- ✓ Measures: Risk Treatment will include measures like discussions / negotiations, risk avoidance, risk transfer, risk retention, risk hedging etc. An analysis of how a particular risk treatment measures may be useful.

- ✓ Risk Avoidance: Will include deliberate attempt not to undertake an activity considered to be risk prone. An example may be not to go in for a financial assistance with terms which are too open-ended. However, risk avoidance may imply losing out potential opportunities which may be attached to the risks so avoided. In other words, the cost of avoiding a risk should not be disproportionate to the benefits achieved.

- ✓ Risk Transfer: Taking out insurance cover is the most common type of risk transfer. CFT of Finance Division will make periodical reviews of insurance covers taken out and suggest to RC members the changes considered appropriate. A list of existing insurance covers will be placed before RC on an annual basis.

- ✓ Risk Retention: All risks that are not avoided or transferred are retained by default. It has to be ensured by RCs that risks have been retained deliberately after due consideration. For example, if a part of some significant risk is left uninsured, it must be done after a proper cost-benefit analysis.

- ✓ Risk Hedging / Derivatives etc: Where a risk cannot be avoided altogether, risk hedging may be explored by members of RC in appropriate situations. Reducing or avoiding financial risks by Derivatives or other means may also be explored where appropriate. For example, the option of outright purchase of property may be explored if it is considered that certain Government-acquired properties may have the potential to expose the Company later to huge financial liabilities.

7. General

a) CFT / RC Meetings: Members of RC and CFT will meet periodically. While inhouse approach for risk management exercise is expected to have greater acceptability. RC may utilize the services of outside agencies on the risk policy, compliance standard and other matters considered appropriate.

b) Review Reports: Review Reports on risk management will be submitted to the Board of Directors of the Company and also to the Audit Committee of the Board annually intervals. RMC may establish other appropriate measures for monitoring the functioning of the Risk Management process.

c) CESC Annual Report: Annual Report of the Company meant for shareholders will include suitable information on risk management.

d) Internal Audit Involvement: Internal Audit Department will undertake due diligence exercise wherever necessary for validating existing controls and ensure effectiveness of the Risk Management process. Internal Audit Reports submitted from time to time on risk management will be reviewed by the RC for taking necessary action thereon.

e) Risk Management Culture: Risk Management should be highlighted in induction, training and development programmes for employees as well as within various operational processes in the activities of different Divisions.

8. **REVIEW**

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of organization.

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