**SHANKARA BUILDING PRODUCTS LIMITED**

# RISK MANAGEMENT POLICY

## 1. BACKGROUND

The management of Shankara Building Products Limited (the "**Company**") believes in enabling long term sustainable growth by creating a robust risk management framework involving identification, evaluation & management of risks by partnering with businesses and its associate functions. The objective of this risk management policy (this "**Policy**") is to address risks in a proactive manner to sustain business growth.

## 2. AUTHORITY AND APPROVAL

This Policy shall be approved by the board of directors of the Company (the "**Board**").

## 3. EFFECTIVE DATE

This Policy shall be effective from **19TH SEPTEMBER, 2016**

## 4. SCOPE OF THE POLICY

This Policy shall be applicable to all operations and functions of the Company and its subsidiaries from time to time, and shall operate in conjunction with other business and administrative policies.

## 5. RISK MANAGEMENT PROCESS

Risk Management Process shall comprise of the following steps:

- Risk Identification
- Risk Analysis and Evaluation
- Risk Mitigation
- Risk Monitoring and Review

### 5.1 Risk Identification:

Risks that impact the Company's business are broadly classified as follows:

(i) **Strategic Risks (Responsibility: Top Management)**

Strategic risks are the risk arising due to the management decisions with respect to market, business growth, delivery model, etc. which can have adverse effect on the business objectives. This can further impact sustainability of business in long term.

(ii) **Legal Risks (Responsibility: Legal Team)**

For all legal and related issues, advice must be sought from the legal department. If there is any deviation from the standard clauses, legal department shall suitably approve the said changes. The legal risks shall cover following clauses to minimise the risks e.g. changes in law, legal remedies, resolution of disputes, force majeure, confidentiality etc.

(iii) **Business Risks (Responsibility: Business Heads)**

Business risks are the risks which impose uncertainty in revenues or risk of losses which could be harmful to business, e.g. project management & time risks, client preferences, increase in competition etc.

(iv) **Operational & Technical Risks (Responsibility: Business Heads)**

Operational and technical risks are the risks arising from people, systems and processes through which the Company operates.

### 5.2 Risk Analysis and Evaluation:

It is the process of analysing the risks in terms of probability of occurrence and magnitude of impact. ‘Impact’ and ‘Probability’ determines the ‘Severity of Risk’ which aids to prioritize the risks which expects immediate action.

### 5.3 Risk Mitigation:

It is the process of responding to the risk. Risk needs to be prioritized in the process of analysis and evaluation for its mitigation based on its probability, impact and severity. Further, risk proximity (i.e. time window when the risks can surface), complexity of the mitigation plan, funding required can be considered for prioritizing the mitigation action. Accordingly, the risk can be avoided, reduced, transferred or shared.

(i) **Risk Avoidance:** The situation which gives rise to the risk can be avoided by excluding the activities or conditions that gives rise to risk. This is recommended for the risks with high severity.

(ii) **Risk Reduction:** For the risks which cannot be avoided, measures to reduce either the impact of risk or probability of occurrence can be deployed.

(iii) **Risk Transfer:** Transfer the total or partial risk to third party, e.g. client, third party vendor, sub-contractor, insurance company, etc.

(iv) **Risk Acceptance:** The risk with low severity can be accepted. Here, the cost of risk mitigation would be more than the risk exposure.

### 5.4 Risk Monitoring And Review:

The Board emphasizes that risk management is an on-going process and takes place in all material elements of the Company’s organizational structure. Dynamically changing legal and economic environment around the Company necessitates identifying and mitigating the risks on timely manner. The Board will thus evaluate the risks involved in the business from time to time.

## 6. REPORTING

The Board shall present a statement attached to its report at the general meeting of the Company, indicating the development and implementation of this 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.