

### **A. PURPOSE:**

To ensure that risk management is an integral, evident and harmonious part of management activity recognizing that managing risk and uncertainty is critical to achieving corporate objectives even with imperfect knowledge of future events, in a complex environment and within recognized funding and timing boundaries.

### **B. SCOPE:**

This Risk Management Policy ("Policy") supports the philosophy of Xpro India Limited ("Company"), towards instituting risk identification, analysis and prioritization, development of risk mitigation plans and reporting on the risk environment of the Company.

The Company is earnest about implementing a risk management culture, adopting best practice in identification, evaluation and effective management of risk and accordingly this policy is applicable to all the functions and departments of the Company.

### **C. OBJECTIVE**

The objective of this policy is to manage risks involved in all material activities of the Company which will help to augment opportunities and minimize adversity. This policy is intended to assist in decision making processes that will help minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The key objectives of this policy are to:

- Safeguard Company property and interests, and the interests of stakeholders;
- Lay down a framework for identification, measurement, evaluation, mitigation and reporting of various risks as may be identified;
- Advance culture, processes and structures that are directed towards the effective management of potential opportunities and adverse influences, which the business and operations of the Company are exposed to;
- Strike an appropriate balance between costs of managing risk and the anticipated benefits;
- To create awareness among employees to be alive to risks on a continuous basis and support risk mitigation plans in the best interests of the Company;
- Provide a system for setting of priorities between competing pressures on limited resources.

### **D. RISK MANAGEMENT COMMITTEE**

#### **1. Constitution:**

In accordance with its aspiration to adhere to best corporate governance practices, the Board of Directors shall constitute a Risk Management Committee of the Board ("RC"), to assist the Board in fulfilling its corporate governance responsibilities, inter alia, having regard to (a) framing, overseeing and monitoring implementation of a Risk Management Policy; (b) validating the process and procedure of risk mitigation and risk management and (c) periodically reviewing and evaluating the Risk Management Policy.

#### **2. Composition of the Committee:**

The RC shall serve at the discretion of the Board. The majority of members of the RC shall consist of members of the Board of Directors as may be nominated by it (minimum two Independent Directors). Senior executives of the Company nominated by the Board may be members of the RC. It is intended that the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company shall be members of the RC. Senior Officers of each Unit and the Marketing function, as may be decided by the RC, shall be permanent attendees to its meetings.

The Chairperson of the RC shall be a member of the Board, and nominated by the Board.

**3. Meetings of the Committee:**

The RC shall meet at least twice in a year and two Board Members plus one Senior Executive present shall form the quorum for a meeting of the committee.

**4. Role and Responsibilities of the Committee:**

The Board of Directors shall define the role and responsibility of the Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit. Such function shall inter alia include the following:

- To submit the Risk management Plan to the Board for its approval and adoption;
- To oversee the risk management infrastructure;
- To advise the Board on risk strategy and mitigation plans;
- To address risk management and governance in strategies for growth, the purpose typically not being to promote risk avoidance, but to promote balancing of risk-reward parameters;
- To consult external experts, where necessary.
- To review risk disclosure statements in any public documents or disclosure.

**5. Powers of the Committee:**

The Committee shall have access to any internal information necessary to fulfill its oversight role. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

Such other powers as the Board may confer to the Committee from time to time.

**E. Board of Directors:**

The Board of Directors shall be responsible for:

- 1) Framing, implementing and monitoring the risk management plan for the Company;
- 2) Reviewing and guiding on the Risk Management Policy;
- 3) Ensuring that appropriate systems of control are in place, in particular, systems for Risk Management;
- 4) Report of Board of Directors 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;

The Company shall lay down procedures to inform members of Board of Directors about risk assessment and minimization procedures.

**F. Audit Committee:**

The Audit Committee shall be responsible for evaluation of internal financial controls and risk management systems and report the same to the Board.

**G. Internal Auditors:**

Internal auditors will guide the Company to ensure that risk management processes are adequately followed by the Company and statutory requirements [such as adherence to the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 and other applicable laws including any statutory amendment(s) modification(s) or re-enactment(s) thereof, for the time being] are complied with.

### **H. Risk Management Procedure:**

The Company is required to maintain procedures to provide the systematic view of the risk faced by the Company in the course of its business activities. This will require the Company to:

- a. **Establish a context:** Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- b. **Identify Risks:** This is the identification of what, why and how events arise as the basis for further analysis.
- c. **Analyze Risks:** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.
- d. **Evaluate Risks:** This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized.
- e. **Treat Risks:** For higher priority risks, the Company is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- f. **Monitor and Review:** This is for the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- g. **Communication and Consultation:** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process.

### **I. Approach to Risk Management:**

The following methodology will be adopted to identify and mitigate risks to which they are subjected.

#### **1. Identification of Risks:**

This would envisage identification of the potential list of events/ perils/ risks/ factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

- **Strategic Risk:** Competition, inadequate capacity, high dependence on a single customer/vendor;
- **Business Risk:** Project viability, process risk, technology obsolescence/ changes, development of alternative products;
- **Finance Risk:** Liquidity, credit, currency fluctuation;
- **Environment Risk:** Non-compliance to environmental regulations, risk of health to people at large;
- **Cyber risk:** potential exposure to loss or harm stemming from information or communications systems including cyber attacks and data breaches;
- **Human Capital Management/Personnel Risk:** Health and safety, high attrition rate, incompetence, succession planning etc.;
- **Operational Risk:** Process bottlenecks, non-adherence to process parameters/ pre-defined rules;
- **Reputation Risk:** Brand impairment, product liabilities;
- **Regulatory & Governance Risk:** Non-compliance to statutes, change of regulations, litigation;
- **Technology Risk:** Innovation, obsolescence;
- **Geo-Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment;
- **Fire and safety Risk:** Data transmission & fire safety plans;

**2. Evaluate and Prioritize Risks**

Estimate risk levels against pre-established criteria as may be determined by the Committee. This will enable risks to be ranked and prioritized. The risks can be evaluated by plotting them on a Risk Map.

3. The Committee should identify certain risks, which cannot be quantified in monetary terms and as such not possible to rank them. In such cases, the consequences of the risk need to be evaluated.

The following could be used as criteria to identify such risks:

- Impact on fatality or irreversible disability/impairment to human life.
- Impact on the environment
- Impact on the Brand Equity including public litigation

**4. Risk Register:**

The Company should ensure compilation of a Risk Register in the appropriate format. Risk register is maintained basis assumptions and the same are reviewed periodically for validation.

**5. Treat Risks:**

For high priority risks, the RC with the help of management should develop and implement specific risk management/mitigation plans. Low priority risks may be accepted and monitored.

The RC should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities. The RC should ensure approval of the control measures to be initiated against the identified risks from the designated personnel after analyzing cost v/s benefits.

**J. Monitor and Review:**

The RC is responsible for overall monitoring of the risk management processes.

To support the Committee, every business function/department will depute a manager not below a Manager level as the “Risk Champion” to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

**K. Communication and Consultation:**

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process.

**L. Reporting:**

Half-yearly reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee and Board. The responsibility of compilation of report is entrusted with each operating Unit Head who should submit half-yearly report on the compliance of the risk assessment and management policy to the RC.

**M. Training:**

The RC should identify the need for imparting training to Risk Champions as well as other key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc.

**N. Retention of Documents:**

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years or as per regulatory requirements.

**O. Implementation Review:**

To ensure adequate and complete implementation of this policy, internal audit reviews should be carried out at least annually.

**P. Policy Review:**

The policy shall be reviewed periodically for modification based on change in business environment and practices.

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