

KIRAN VYAPAR LIMITED

RISK MANAGEMENT POLICY

1. Purpose of this document

The purpose of this document is to lay down the approach and the broad conceptual model to be followed by Kiran Vyapar Limited (KVL) in pursuing Enterprise Risk Management (ERM) across its organisation.

2. ERM Roles and Responsibilities

- Board of Directors

The Board provides oversight with regard to risk management.

The Board should be apprised on a timely basis of the most significant risks, management's assessment, and its planned response. Importantly, the board should feel comfortable that appropriate processes are in place and that management follows a sound process to identify, assess, and respond to risk, and to bring relevant information to the board level.

The Board provides oversight with regard to enterprise risk management more particularly, the Board:

- Provides concurrence to the business strategy, risk management strategy and policy and risk appetite for the company.
- Initiates and sponsors the risk management framework of KVL.
- Ensures appropriate sustainable corporate governance frameworks are established and operating.
- Evaluates the effectiveness of management's enterprise risk management policy, process and structure in the organization.
- Reviews the entity's portfolio view of risks and considering it against the entity's risk appetite.
- Reviews the most significant risks and appropriateness of management response.

- Managing Director (MD)

The MD leads the ERM process.

The MD has ultimate ownership responsibility for ERM. The MD generally fulfils these responsibilities by setting broad-based policies reflecting the entity's ERM philosophy and risk appetite, providing leadership, direction and guidance to Heads - Business Division in performing ERM activities across KVL.

Key roles and responsibilities are outlined below:

- Sets business strategy, risk management strategy and policy, risk appetite, in consultation with the RMC.
- Assists the Board and its Committees in meeting their responsibilities for risk management and sponsoring ERM process.
- Promotes risk management strategy and policy by enhancing the level of risk awareness within the company.
- Approves risk management process designed by the RMC. Takes ultimate executive responsibility for its efficiency and effectiveness.
- Provide leadership and direction to Management / Business Heads.
- Links risk management with performance management for Business Heads / Functional Heads / Process Heads.
- Is accountable for maintenance of an adequate on-going risk assessment process.
- Ensures the staffs at all levels are aware of the risk and control environment within each business process.
- Chair the Risk Management Committee and ensure its proper and smooth functioning.

- Risk Management Committee (RMC)

The RMC oversees the process by which business divisions' management identifies and assesses risks and determines appropriate responses.

It addresses enterprise-wide risks, and sets performance measure goals and key risk indicators for those risks. The Committee also reviews actual risk management performance versus plan.

The RMC comprises of non executive and independent directors.

Key roles and responsibilities are outlined below:

- Helps the MD in development of risk management strategy and policy and risk appetite.
- Ensures that the risk management framework is sustainable by continuously evaluating its effectiveness.
- Designs risk management process with the help of the members.
- Ensures appropriateness of policy and processes for risk management.
- Promotes and implements the risk strategy, and policy by enhancing the level of risk awareness within the Company and through the development of appropriate procedures and the commitment of resources.
- Ensures appropriate internal controls, risk management and legal compliance systems including standards, training, communications and monitoring occur for all high risk compliance and ethical areas, including but not limiting to those areas deemed to be KVL's significant risks.
- Ensures KVL Code of Conduct is distributed / accessible to all the employees and related employee training occurs as appropriate.

- Ensures all issues / allegations are fairly and independently investigated. Review reports, results and findings of audit and investigations.
- Commissions risk assessments to identify significant business, operational, financial, compliance, reporting and other risks.
- Periodically reviews risk assessment results and ensure that these are appropriately and adequately mitigated and monitored.
- Monitors progress of risk mitigation strategies including the status of risk assessment programs.
- Nominate Risk Managers from concerned Business / Function.
- Ensures all relevant parties are providing adequate level of support to the Risk Managers and the CFO.
- Supports the monitoring of risks across the Company and reports to the Board and its Committees on the adequacy and results of the Company's systems and controls for managing risk.

- Risk Managers

Risk managers assist concerned operating management in execution of their ERM activities and responsibilities.

Risk Managers assist business heads and functions heads / process owners in identifying, assessing, and responding to risks relative to meeting the unit's objectives. They act as a coordinator between the CFO and Operating Management in ensuring that appropriate procedure is followed within the respective business unit / function.

Key roles and responsibilities are outlined below:

- Obtain understanding of all processes and sub processes of the business units including the inherent risks and the corresponding mitigation aspects.
- Organise, facilitate and participate in risk management programs in co-ordination with CFO and process owners.
- Document risks and controls and updating them on a periodic basis.
- Report monitoring status of risk management activities and results to the CFO and the Business Head on a periodic basis.
- Conduct periodic training programs as per guidance from CFO and Business Heads and ensure risk awareness at all time.

- Operating Management (Business Heads / Functional Heads / Process Owners)

Operating Management in charge of organizational units has primary responsibility for owning and managing risks related to the objectives of their respective areas.

Business Heads / Functional Heads / Process Owners are responsible for identifying, assessing, and responding to risk relative to meeting the objectives of their respective areas. They ensure that their policies and processes are in compliance with KVL's ERM policies and that their respective areas' activities are within established risk tolerance levels. They report on ERM progress and issues to the CFO.

Key roles and responsibilities are outlined below:

- Ensure strategic level and process level risks are identified and acted upon continuously.
- Define risk tolerances in consultation with the MD within the risk appetite defined.
- Set risk management principles for risk owners and measure performance.
- Support CFO and Risk Manager by providing strategic risk information.
- Communicate the importance of risk management and foster a risk culture within their respective business / function / process.
- Ensure that business / functional personnel receive adequate risk management training and adopt best practices.
- Link risk management with performance management for their personnel.
- Review risk management results on a periodic basis to provide periodic assurance on the adequacy of risk mitigation measures.
- Facilitate and ensure effectiveness in identification, assessment, reporting and monitoring of risks and controls within processes or projects (including performance) on a regular basis.
- Escalate / report significant risks from business processes or projects to the attention of MD, CFO, RMC and Risk Managers, as suitable, for discussion and monitoring.
- Participate in the design, documentation and implementation of the mitigation strategies and plans.
- Periodically evaluate the effectiveness of mitigation strategies, as designed and implemented.
- Monitor and adhere to the implementation plan and validation results.
- Ensure relevant personnel are providing adequate level of support to the Risk Manager and responsibility of Risk Manager is carried appropriately and effectively.

- Internal Auditor (IA)

The IA provides periodic objective monitoring of ERM application and effectiveness.

IA plays a key role in evaluating the effectiveness of, and recommending improvements to, the entire ERM policy and process or subsets thereof.

Key roles and responsibilities are outlined below:

- Evaluates and reports whether risk management policy and processes have been fully complied with and implemented.
- Evaluates and reports efficiency and effectiveness of risk management process.
- Evaluates and reports adequacy, effectiveness and efficiency of risk responses and related control activities.
- Evaluates and reports whether management of risks is within the defined risk tolerances and risk appetite.
- Evaluates and reports completeness and accuracy of ERM reporting and documentation.
- Understands the risks within various facets of KVL and takes account of such risks in audit work.

- Assists senior management and Audit Committee in fulfilling responsibilities in monitoring systems of internal controls and risks.
- Communicates and share risk information gathered during the audit process with the CFO and Business Heads / Functional Heads / Process Owners.

3. Independent Monitoring

Independent Monitoring of business processes and effectiveness of, compliance with, the internal management and control system is an integral part of risk management system. Internally, IA conducts an audit at regular intervals and evaluates & reports the functioning of the internal management and supervisory system as also the observance of organizational safeguards necessary to ensure this.

In addition, the statutory (external) auditor appraises and issues an opinion on the ERM system as a part of the audit of annual financial statements.

4. Archiving

After the conclusion of the audit by the external auditor, the evidence documentation for the inclusion of risk and the other documents such as those relating to records of risk management, etc. must be kept on a file by following standard archiving rules / in accordance with the statutory requirements.

5. Approval and amendment of this document

This Risk Management Policy including any changes in it, needs the approval of the MD. The Chief Risk Officer is responsible for maintaining this document in a current state.