



RISK MANAGEMENT POLICY

1. INTRODUCTION

This Risk Management Policy forms part of DME's governance and control arrangements.

Risk management is not an isolated activity. It is one element together with planning, project and performance management of effective governance and management. The focus is on those risks that could disrupt the achievement of DME's strategy.

The purpose of this policy and the supporting guidance is to establish DME's underlying approach to risk management by clarifying the roles and responsibilities of the Board of Directors, the Finance and Audit Committee, Senior Management and other staff. It also describes the context for risk management as part of the overall system of internal controls and arrangements for periodic review. It aims to support those staff with particular involvement in anticipating, assessing and managing risks so that they can take timely and well-founded risk-informed decisions.

2. DEFINITION

In this Policy, unless the context otherwise requires:

"Act" means Companies Act, 2013 or any other act applicable to the Company.

"Audit Committee or Committee" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations.

"Board of Directors" or **"Board"** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013).

"Company" means "DME Development Limited, a Company constituted under the provisions of Companies Act, 1956.

"Key Managerial Personnel" means as defined under section 2(51) of the Act defines Key Managerial Personnel (KMP). It states that the KMP of a company means:

- Chief executive officer, manager or managing director
- Company Secretary
- Whole-time director
- Chief financial officer
- Such other officers, designated by the Board as KMP but are not more than one level below the directors in whole-time employment
- Such other officer as may be prescribed

"Policy" means Risk Management Policy of the Company.



“Risk Assessment” means the systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

“Risk Management” means the systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

“Risk Mitigation” means prioritizing, evaluating, and implementing the appropriate risk-reducing controls/countermeasures recommended from the risk management process.

“SEBI” means Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

“SEBI LODR” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

3. LEGAL FRAMEWORK

The Act and the SEBI LODR have incorporated various provisions in relation to Risk Management policy, procedure and practices.

- **Section 134(3)(n) of the Act** requires the Board of Directors of the Company, as part of the Board’s Report, to furnish 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.
- **Section 177(4) of the Act** states: Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include -
(vii) *Evaluation of internal financial controls and risk management systems.*
- **SCHEDULE IV of the Act [Section 149(8)] - CODE FOR INDEPENDENT DIRECTORS**
II. Role and functions: The independent directors shall:
 - help in bringing an independent judgment to bear on the Board’s deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
 - satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

As per Regulation 17(9) of the SEBI LODR, 2015, the listed entity shall

(a) lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

(b) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Accordingly, to mitigate and manage risk at **“DME Development Limited”** (hereinafter referred to as the “Company”), the Company has formed the policy (the “Risk Management Policy”) for the same. This document shall be under the authority of the Board of Directors of



the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

4. OBJECTIVE

The objective of the Risk Management Policy of the Company is to create and protect stakeholders value by minimizing threats or losses, and identifying and maximizing opportunities. This Risk Management Policy is being applied in order to ensure that effective management of risks is an integral part of every employee's job. These include:

- a) Providing a framework, that enables future activities in a consistent and controlled manner;
- b) Improving decision making, planning and prioritizing by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
- c) Contributing towards more efficient use/ allocation of the resources within the organization;
- d) Protecting and enhancing assets and Company image;
- e) Reducing volatility in various areas of the business;
- f) Developing and supporting people and knowledge base of the organization;
- g) Optimizing operational efficiency;
- h) Identifying internal and external risks of the Company;
- i) Ensuring that an appropriate methodology, processes and systems are in place to monitor and evaluate risks;
- j) Establishing framework for implementation of risk management and mitigations plans;

5. RISK MANAGEMENT

- A. The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company.
- C. The Company will also constitute a Risk Management Committee or other committees as it may deem fit. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.
- D. Every staff member of the Company is responsible for the effective management of risk including the identification of potential risks. The Board shall provide management and employees with the necessary tools and resources to identify and manage risks.

6. ROLES AND RESPONSIBILITIES OF BOARD AND THE AUDIT COMMITTEE

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

- 1. The **Board's role** is to ensure framing, implementing and monitoring risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased approach during the Board's deliberations on making risk management systems very strong and effective.



Further, the Board is required to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal including environmental, business, operational, financial, political and others. Communication of Risk Management Strategy to various levels of the management for effective implementation in the Company.

2. The **Audit Committee's role** is to evaluate the risk management systems.

3. This policy shall complement the other policies of DME Development Limited in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are being effectively mitigated.

7. IDENTIFICATION AND RISK ANALYSIS

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Chairman and/or whole-time directors of the Company along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Shri Ananta Manohar, Director & CFO of the Company through participation of the vertical/functional heads and a preliminary report shall be placed before the Risk Management Committee.

The following steps to be taken:

- a) **Risk identification:** - To identify the events that can have an adverse impact on the achievement of the business objectives, risks may be classified in the following:
- Strategic risk
 - Data security risk
 - Fiduciary risk
 - Credit risk
 - Liquidity risk
 - Reputational risk
 - Environmental risk
 - Competition risk
 - Fraud risk
 - Technological risk
 - Cyber security risk etc.
 - IPR risk
 - Financial risk
 - Operational risk
 - Sectoral risk
 - ESG risk
 - Commodity risk
 - Legal Risk
 - Human Resource Risk



- b) **Risk Assessment-** Risk Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence. Each identified risk is assessed on two factors which determine the risk exposure:

- A. Impact if the event occurs
- B. Likelihood of event occurrence

Risk Categories: It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments, each of the Risks can be categorized as – Low, Medium and High

- c) **Risk Prioritization** -After the risk assessment is completed, it is the responsibility of the Risk Management Committee to prioritize the key risks to determine which risk are considered critical and need to be addressed on a priority basis.

All risks that fall in the red zone are considered high risk and require immediate attention in terms of Risk Management. The findings of risk prioritization are presented to the Board of Directors of the Company.

- d) **Risk Mitigation** - Risk mitigation strategy usually involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The risk mitigation strategies may include managing the risk through implementation of new internal controls, accepting certain risks, taking insurance, and finally avoiding certain activities that result in unacceptable risks.

- e) **Risk Monitoring & Reporting** - The Risk Management Committee shall monitor the critical risk and enter the details in the risk register and report the same to the Board of Directors of the Company.

8. CONSTITUTION OF RISK MANAGEMENT COMMITTEE

The Board shall constitute a Risk Management Committee which shall have minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director and also define the Committee's role and responsibility.

The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review.

The members of the Risk Management Committee shall discharge the role as specified under SEBI(LODR).

The Risk Management Committee shall critically examine the report to the Board and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

9. GUIDELINES TO DEAL WITH THE RISKS

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales & Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as



Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

10. BOARD APPROVAL

The Action Plan and guidelines as recommended by the Risk Management Committee shall be approved by the Board before communication to the Key Managerial Personnel for implementation.

The Board shall approve the risk management (including risk treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

11. RISK TREATMENT

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to benefit the organization.

Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for:

- a) Effective and efficient operations,
- b) Effective Internal Controls and
- c) Compliance with laws & regulations

Risk treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

12. RISK REGISTERS

Risk registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment and status after the treatment etc.

Risk Managers and Risk Officers to be identified for proper maintenance of the risk registers which will facilitate to report of the effectiveness of the risk treatment to the Risk Management Committee, Audit Committee and the Board.

The Board shall have the discretion to deal with certain risks (may be called key or highly sensitive risks) in the manner it may deem fit. Mitigation of such highly sensitive/key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

13. INTEGRATION OF RISK MANAGEMENT STRATEGY

The risk management strategy of the Company is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management



Capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

14. REVIEW

This policy shall evolve to review by the Risk Management Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional/brand heads and other concerned persons of the Company.

The committee shall recommend the actions to be taken to the Board.

Further, the Risk Management Committee shall review the risk management policy, at least once in two years and place it before the Audit Committee and the Board for their approval.

15. CONFLICT:

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

16. EFFECTIVE DATE

This policy shall be effective from March 29, 2023, the date of Circular Resolution in which this policy was adopted.

17. LIMITATION AND AMENDMENT

- The Board of Directors may at their discretion and on recommendation of the Audit Committee, make any changes/modifications and/or amendments to this Policy from time to time.
- In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over and automatically be applicable to this Policy and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the law.
- Any subsequent amendment/modification in the Act, SEBI Listing regulations and/or other applicable laws in this regard shall automatically apply to this Policy. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.