

Rathi Graphic Technologies Ltd

RISK MANAGEMENT POLICY

LEGAL FRAMEWORK

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

OBJECTIVE & PURPOSE OF POLICY

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

BACK GROUND AND IMPLEMENTATION

This policy is in compliance with the amended Clause 49 of the Listing Agreement (w.e.f 1st October 2014) which requires the Company to lay down procedure for risk assessment and procedure for risk minimization.

The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

The company through its Board of Directors shall constitute a Risk Management Committee. 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.

The Majority of Committee shall consist of Members of the Board of Directors (Members of the Committee can be Executive Director or Non Executive Director) as the Board think fit.

APPLICATION

This policy applies to all areas of the Company's operations.

RISK CATEGORIES

The following broad categories of risks have been considered in our risk management framework:

Strategy: Risks emanating out of the choices we make on markets, resources and delivery model that can potentially impact our long-term competitive advantage.

Industry: Risks relating to inherent characteristics of our industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure.

Counter party: Risks arising from our association with entities for conducting business. These include clients, vendors, alliance partners and their respective industries.

Resources: Risks arising from inappropriate sourcing or sub-optimal utilization of key organizational resources such as talent, capital and infrastructure.

Operations: Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, physical security and business activity disruptions.

Regulations and Compliance: Risks due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigation and loss of reputation.

KEY RISK MANAGEMENT PRACTICES

The key risk management practices include those relating to risk assessment, measurement, mitigation, monitoring, reporting and integration with strategy and business planning.

- **Risk identification and assessment:** Periodic assessment to identify significant risks for the Company and prioritizing the risks for action.

Mechanisms for identification and prioritization of risks include risk survey, business risk environment scanning and focused discussions. Risk survey of executives across units, functions and subsidiaries is conducted before the annual strategy exercise. Risk register and internal audit findings also provide pointers for risk identification.

- **Risk measurement, mitigation and monitoring:** For top risks, dashboards are created that track external and internal indicators relevant for risks, so as to indicate the risk level. The trend line assessment of top risks, analysis of exposure and potential impact are carried out. Mitigation plans are finalized, owners are identified and progress of mitigation actions are monitored and reviewed.
- **Risk Reporting:** Top risks report outlining the risk level, trend line, exposure, potential impact and status of mitigation actions is discussed on a periodic basis. In addition, risk update is provided to the Board. Entity level risks such as project risks, account level risks are reported to and discussed at appropriate levels of the organization.
- **Integration with strategy and business planning:** Identified risks are used as one of the key inputs for the development of strategy and business plan.

Overview of Risk Environment and Key Risk Management Activities of the year

Business Risk Environment was challenging for most part of the year, primarily driven by the prolonged impact of global economic slowdown on our clients and the resultant impact on our business. Financial position of several key clients who were impacted by the global economic slowdown, gradually improved during the year. Regulatory environment relating to immigration / visa and taxation required close monitoring and assessment. Global currencies from which we derive our revenues showed high volatility. Physical security environment in India called for increased vigilance measures.

Our continued emphasis on credit risk management through periodic credit quality assessments and focused collection mechanisms resulted in further improvement of credit risk indicators. Our active management of currency risks minimized the impact

in a volatile currency market. We further strengthened operational risk mitigation mechanisms in areas including physical security, service delivery, information security and contracts management. Our periodic assessment and monitoring of business risk and regulatory environment resulted in deployment of appropriate mitigation measures.

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.