

# Minda Corporation Limited

## RISK MANAGEMENT POLICY

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### 1.0.0 VISION

To develop organizational wide capabilities in Risk Management so as to ensure a consistent, efficient and effective assessment and management of risk in the achievement of the organization’s objectives.

### 2.0.0 OBJECTIVE

The objective of the Risk Management Policy is to define the key risk terminology, outlines the risk management process and documents the roles and responsibilities. This policy forms part of the internal control and corporate governance process of the company. Basically the aim of this policy is not to eliminate risks, rather to manage the risks involved in the company activities to maximize opportunities and minimize adversity by considering the following:-

- Identification of risk, define ownership with clearly defined roles and responsibilities;
- Balance between the cost of managing risk and the anticipated benefits;
- Contributing to more efficient use/allocation of capital and resources;
- to encourage and promote an pro-active approach towards risk management
- Identifying any unmitigated risks and formulating action plans for its treatment through regular review.

### 3.0.0 SCOPE

Unless otherwise specified, the policy will apply to all units of Minda Corporation Limited.

### 4.0.0 PROCESS FLOW OF RISK MANAGEMENT

The process flow of Risk Management is explained through the given below diagram-



## 5.0.0 NATURE & TYPE OF RISK

A risk is an uncertainty whose likelihood may affect the achievement of an organization objective. The Risk has been analyzed in detail in view of our nature of business and various challenges which may have influence on present /future achievement of Goal if not managed properly. Accordingly the potential risk has been categorized under 6M as per Risk Register (Annexure 1).

### 5.0.1 INHERENT RISK

Inherent Risk which cannot be significantly mitigated is not scored although remain part of the Risk Framework.

## 6.0.0 ASSESSMENT OF RISK

The Magnitude of the Risk has been defined after considering the impact on time, cost & quality and occurrence of an event of risk. The importance and assessment of the risk is defined in the form of Gross Risk Score, which indicates the degree / magnitude of any defined risk. The methodology of defining the Gross Risk Score, is given as hereunder:-

**Gross Risk Score (GRS):** Gross Risk Score is the maximum score assigned to a Risk based on its rating as High and Medium (mapped and rated on 3X3 Heat matrix). All High Risks have a Gross score of 9. Medium Risks have Gross score of 4 in case all are considered as equal.

| Level | Description     | Risk Weight (1-3) | Ranking Criteria   |
|-------|-----------------|-------------------|--|
| L     | <u>Minor</u>    | 1                 | No Major impact on the Financials, (profitability), Service Delivery and Customer experience (Brand) |
| M     | <u>Moderate</u> | 2                 | Moderate Impact on the Financials, (profitability), Service Delivery and Customer experience (Brand) |
| H     | <u>Major</u>    | 3                 | Serious Impact on the Financials, (profitability), Service Delivery and Customer experience (Brand)  |

### RISK RATING SCORECARD - LIKELIHOOD

| Level | Description    | Occurrence Weight | Likelihood of Risk Occurrence   |
|-------|----------------|-------------------|---|
|       |                |                   | Ranking Criteria  |
| L     | Unlikely       | 1                 | Has Occurred remotely or unlikely to occur                                  |
| M     | Likely         | 2                 | History of repeat Occurrence & potential of Occurring                       |
| H     | Almost Certain | 3                 | Will occur periodically. Event has occurred frequently in the past one year |

**SPECIMEN OF GROSS RISK SCORE (HEAT MATRIX)**

The Risks will be reported in the form of a Risk Heat Matrix to ensure adequate focus on high risk areas and prioritize mitigation for the company This Heat Matrix indicates degrees of risk severity, as measured by impact and likelihood of occurrence.

|            |         |          |        |                |
|------------|---------|----------|--------|----------------|
| Impact     | Major   | 3        | 6      | 9              |
|            | Moderat | 2        | 4      | 6              |
|            | Minor   | 1        | 2      | 3              |
|            |         | Unlikely | Likely | Almost Certain |
| Likelihood |         |          |        |                |

The overall scoring pattern has been defined to arrive at mitigated and unmitigated risk. The methodology of the scoring pattern has been considered in Risk Register, enclosed in annexure1.

**Mitigation Credit (MC):** Mitigation means the counter actions already taken to reduce the risk magnitude. The Mitigation Credit will be calculated by Risk Manager / CEO of the Business based on the action taken by them to reduce the risk.

Mitigation Credit will be Zero if the Achievement % is less than the Threshold Target (i.e. if the target is missed by more than 50%, Mitigation Credit will be 0). For achievement between 100% and 50% mitigation credit is given on pro-rata basis.

If the achievement is more than 100% mitigation credit will be restricted to 100% of Gross Risk Score.

**Net Risk Score (NRS):** This is the residual Risk remaining in the business after the mitigation credit has been granted.

**Net Risk Score** = Gross Risk Score - Mitigation Credit

**7.0.0 REPORTING STRUCTURE**

The roles, responsibilities and reporting are as follows:

### **7.0.1 Reporting to Corporate Review Committee (CRC)**

The Dashboard of Risk score will be presented to CRC at the time of Quarterly review by CEO. The Presentation will include the magnitude of risk and action plan & target date to mitigate the risk. In addition to this, the Score of mitigated risk will be considered in the KRA of the business Head. CRC means the review committee which has been defined in SOP in MIS.

### **7.0.2 Audit Committee**

The Dash board of Risk Score will be presented to the Audit Committee and the same will be reviewed by the Chairman along with the Committee member.

## **8.0.0 OWNERSHIP OF RISK MANAGEMENT**

The Risk Management is a very important function, which may have critical and severe impact on Business if not addressed appropriately in a timely manner. Accordingly, the activities relating to Risk Management is to be managed by a person having overall insight of the Business processes. As per the Risk Management Policy, a Risk Manager is to be identified in each Business for supervising of the risk management activities, preferably the CFO or similar level employee of the Company. However, the overall responsibility of risk management process will be with CEO / Business Head of the Company.

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