RISK MANAGEMENT POLICY

OF

LLOYDS ENTERPRISES LIMITED

CIN: L27100MH1986PLC041252

Registered Office: A 2 2nd Floor Madhu Estate Pandurang Budhkar Marg Lower Parel Mumbai 400013

Tel. 022-62918111

- **Introduction**

  Risk is an inherent aspect of a dynamic business environment. The Risk Management Policy helps the management and Board of Directors to put in place an effective framework for taking informed decisions about the internal and external risks of Lloyds Enterprises Limited. To minimize the adverse consequence of risks on business objectives, the Company has framed this Risk Management Policy ("Policy/RMP"). The Policy provides a route map for risk management, mitigation measures and guidance from the Risk Management Committee and the Board of Directors.

  The policy will be regularly reviewed to ensure it is adapting to and evolving in the context of internal or external developments. The policy will also be used to maximize opportunities and advantages that can help the growth of the Company and its employees.

- **Scope**

  Risk is the potential for failure or loss of value or the missed opportunity for value creation / strategic competitive advantage resulting from a certain action. Controlling risk is essential in any business by having processes to ensure safeguarding of assets and compliance with appropriate regulatory frameworks.

  A certain amount of risk taking is inevitable if the organization is to achieve its objectives. Effective management of risk helps to manage innovation and improve performance.

- **Objective**

  This Policy intends to ensure stable growth and to promote a proactive approach in the early detection of identifying, reporting and countering any risks that could threaten the Company's business.

  The specific objectives of the Risk Management Policy are:

  - To ensure that any risk that could be material is identified, assessed, quantified, and appropriately mitigated.
  - To establish a framework for the identification of internal and external risks faced by the Company, in particular including financial, operational, sectoral, sustainability (Environmental, Social and Governance related risks), information technology, cyber security risks or any other risk as may be determined by the Risk Management Committee of the Company.
  - To ensure measures for risk mitigation including systems and processes for internal control of identified risk.
  - To oversee risks, such as strategic, financial, credit, market, liquidity, technology, security, etc.
  - To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
  - To assure business growth with financial stability.
  - To Protect human rights wherever we operate and conduct the business in an ethical and responsible manner.
  - To ensure adherence to a high standard of corporate governance and robust internal reporting and controls, transparency, and accountability to all stakeholders.

- **RESPONSIBILITY**

Board

The board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by risk management committee and senior management. The risk management committee or management may also refer particular issues to the board for final consideration and direction.

Risk management committee

The day-to-day oversight and management of the company's risk management program has been conferred upon the risk management committee. The committee is responsible for ensuring that the company maintains effective risk management and internal control systems and processes, and provides regular reports to the board on the effectiveness of the risk management program in identifying and addressing material business risks.

Senior management

The company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the company and aim to provide the company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the company and individual business units. Senior management should promote and monitor the culture of risk management within the company and compliance with the internal risk control systems and processes by employees. Senior management should report regularly to the board regarding the status and effectiveness of the risk management program.

Employees

All employees are responsible for implementing, managing and monitoring action with respect to material business risks, as appropriate.

- **REGULATORY FRAMEWORK**

Sec 134(3)(n) of The Companies Act, 2013	The Board's report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.
Sec 177(4)(vii) of The Companies Act, 2013	The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems.
Regulation 4(2)(f) of SEBI LODR Regulations, 2015	The Board of Directors shall ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
Regulation 17(9)(b) of SEBI LODR Regulations, 2015	The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
Regulation 21(4) of SEBI LODR Regulations, 2015	The board of directors shall define the role and responsibility 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
Schedule II Part C of SEBI LODR Regulations, 2015	The role of the Audit Committee includes evaluation of internal financial controls and risk management systems.
Schedule II Part D of SEBI LODR Regulations, 2015	The Risk Management Committee shall formulate a detailed risk management policy and monitor/oversee implementation of the same. The role of the Risk Management Committee includes formulating a risk management policy, monitoring and overseeing the implementation of the same, including evaluating the adequacy of the risk management systems.
Schedule IV Part II of SEBI LODR Regulations, 2015	Independent Directors should satisfy themselves that the financial controls and risk management systems of the Company are robust and defensible.

- **RISK MANAGEMENT COMMITTEE**

The Risk Management Committee shall consist of a minimum of three members with the majority of them being members of the Board of Directors, including at least one Independent Director and Senior Executives of the listed entity may be members of the Committee. The Chairperson of the Risk Management Committee shall be a member of the Board of Directors.

The Company Secretary of the Company shall act as Secretary of the Committee.

The Risk Management Committee shall meet periodically, but at least 2 times in a year and not more than 180 days shall elapse between two successive Meetings. The quorum of the meeting shall be either two Members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board of Directors.

The Board of directors shall constitute the Risk management committee and shall have the power to alter its composition.

Roles:

1. To assess the Company's risk profile and key areas of risk in particular.

2. To recommend the Board and adoption of risk assessment and rating procedures.

3. To articulate the Company's policy for the oversight and management of business risks.

4. To examine and determine the sufficiency of the Company's internal processes for reporting on and managing key risk areas.

5. To assess and recommend the Board acceptable levels of risk.

6. To develop and implement a risk management framework and internal control system. To review the nature and level of insurance coverage.

7. To have special investigations into areas of corporate risk and breakdowns in internal control.

8. To review management's response to the Company's Auditors' recommendations those are adopted.

9. To report the trends on the Company's risk profile, reports on specific risks and the status of the risk management process to Board of Directors.

- **RISK MANAGEMENT PROCEDURE**

The Company's Risk Management Procedure comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Director and of the Risk Management Committee, to oversee and manage the Risk Management Procedure, whilst conferring responsibility and authority on the Company's Senior Management to develop and maintain the Risk Management Procedure considering the day-to-day needs of the Company.

The key risk management process would broadly include:

1. Risk Identification:

Assessment of organization's exposure to uncertainty which requires in-depth knowledge of the organization, market, economic, legal, cultural, regulatory, technological environment in which it exists. Risk identification shall be approached in a methodical way to ensure that all significant activities within the organization have been identified. Primary responsibility of identification of risks lies with respective HODs however, the same can also be suggested by BOD or RMC.

An effective risk identification process would typically:

1. Identify the significant risks to the achievement of its business objectives.
2. Identify all types of risks, associated major components and controls currently in place, from all sources, across the entire scope of the company's activities.
3. Identify internal and external risks specifically faced including financial, operational, sectoral or any other risks as may be determined by the Risk Management Committee (RMC).

4. Identify risks around opportunities as well as threats, to increase the company's chance of maximizing the benefit of those opportunities when they arise.
5. Ensure that the organization is aware of its major risks at any point in time, and include elements to update the organization's understanding of risk on an ongoing basis, such as key indicators.
6. Ensure that the Board of Directors is informed about the nature and content of RMC discussions, recommendations and actions to be taken by the Company.
7. Be systematic, disciplined and documented, methodical and well-organized and in a format that is capable of being communicated and understood by all.
8. Be focusing on the root causes and influencing factors of risk, both internal and external, as well as its effects and outcomes: financial, reputational or other.

2. RISK ASSESSMENT:

Processes to identify, assess, prioritize risks and confer controls to process-owners to urgently course-correct, when needed, are in place.

The risks are identified and formally reported through Committee meetings.

Hence, Management shall assess events by assigning them **likelihood ratings**-

Likelihood Rating	Classification	Likelihood
1	Rare	Risk has not occurred; can occur in exceptional cases
2	Unlikely	Risk has occurred remotely in the past; not expected but may happen
3	Possible	Periodic occurrence; event has possibility to occur in the year
4	Likely	Annual occurrence; likely for event to occur
5	Almost certain	More than once per year; almost certain for event to occur

3. RISK ANALYSIS:

After risks are identified, those assessed as "Likely" or "Almost certain" are urgently addressed by the Management, those that are "Possible" are handled with process-owners, and those that are seen as "Unlikely" or "Rare" risks are assigned to HODs who will report on their progress to Management.

4. RISK TREATMENT AND MITIGATION

After the risk has been identified and evaluated, the board shall develop a risk mitigation plan, which is a plan to reduce the impact of an unexpected event. Mitigation of risks may take the following ways:

A. Risk avoidance usually involves developing an alternative strategy that has a higher probability of success but probably at a higher cost associated with accomplishing a project task. A common risk avoidance technique is to use proven and existing technologies rather than adopt new techniques, even though the new techniques may show promise of better performance or lower costs.

B. Risk sharing involves partnering with others to share responsibility for the risk activities. It is advantageous when the other entity has expertise and experience the project team does not have.

If the risk event does occur, then the partnering entity absorbs some or all of the negative impact of the event.

C. Risk reduction is an investment of certain resources to reduce the risk on a project.

D. Risk transfer is a risk reduction method that shifts the risk from the company to another party. The purchase of insurance on certain items is a risk transfer method.

- **REVIEW**

The Company's risk management system is always evolving. It is an ongoing process and it is recognized that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstances.

The company shall regularly evaluate the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.

- **AMENDMENT**

The Board of Directors of the Company and the Risk Management Committee shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network.

The Board of Directors or the Committee shall have the right to withdraw and / or amend any part of this Policy or the entire Policy at any time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the SEBI Regulations and/or any other laws in this regard shall automatically apply to this Policy.

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This Risk Management policy was amended by the Board of Directors on 03rd May, 2024.