



**REDINGTON LIMITED**

**RISK MANAGEMENT POLICY**

Policy approved by	:	Board of Directors of Redington Limited <i>(formerly known as Redington (India) Ltd.)</i>
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Policy owner		Chief Risk Controller

## **I. PURPOSE**

The purpose of this policy is to set risk management principles and guidelines for Redington Ltd that would help address risks and uncertainty associated with strategic planning, performance management and operations. These include integrating risk management principles into decision making, core activities and business processes.

Redington Ltd aims to use this risk management policy to facilitate well informed decision making and adopt a proactive approach in reporting, evaluating and resolving risks associated with the business.

The policy is based on the principles, framework and process outlined in ISO 31000:2018 and COSO: ERM 2017.

## **II. SCOPE AND EXTENT OF APPLICATION**

These policy guidelines are devised in the context of the current and future businesses including new products and services taking into consideration emerging global standards and best practices amongst comparable organizations. This policy facilitates business continuity and protection of interests of stakeholders including shareholders and covers key activities within the company and events outside the company which have a material bearing on the company's business. The policy shall operate in conjunction with other business and operating/administrative policies. This policy applies to all entities and locations where Redington Ltd currently operates or would operate in the future.

### **III. POLICY STATEMENT**

1. To ensure protection of shareholder value and increase likelihood of achieving organizational objectives through the establishment of an integrated Risk Management Framework for identifying, assessing, prioritizing, mitigating, monitoring, and reporting material risks. These include internal and external risks specifically faced by the company including financial, operational, sectoral, sustainability (particularly, ESG-related risks), information, cyber security risks or any other risk as may be determined by the Committee.
2. To provide a clear and strong basis for risk informed decision-making at all levels of the organisation.
3. To continually strive towards strengthening the Risk Management System through continuous learning and improvement

### **IV. PRINCIPLES OF RISK MANAGEMENT**

1. All business decisions will be made with prior information and steps for risk mitigation and/or acceptance of the risk involved.
2. Risk management is continually improved through learning and experience. All employees of the company shall be made aware of risks in their respective domains and their mitigation measures.
3. Risks can emerge, change or cease to exist as Redington Ltd's external and internal context changes. Risk management anticipates, detects, acknowledges, and responds



to those changes and events in an appropriate and timely manner in order to be effective.

4. Risk management is an integral part of all Redington Ltd activities and to the extent possible should be embedded in the business processes of the company.
5. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in the company's strategy.
6. A structured and comprehensive approach to risk management contributes to consistent and comparable results. The occurrence, progress and status of all risks will be promptly reported, and appropriate actions be taken.
7. Risks will be identified, analyzed and measured through Risk-Benefit Analysis. Risk analysis is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business.

## **V. OUR APPROACH TO RISKS**

The Board of Directors and/or its Risk Committee has the responsibility to control risks. Control includes making decisions regarding classification of risks, i.e. which risks are acceptable and how to address those that are not. Such decisions can be made and institutionalized only with the participation of the entire workforce such that everyone understands risks of their tasks and participates in risk management. Every employee is responsible for managing and reporting on risks. Also, all are encouraged to suggest ways in which we can operate more sustainably. We are committed to careful consideration of suggestions, and take appropriate action to address risks.

## **VI. APPROVAL OF THE POLICY**

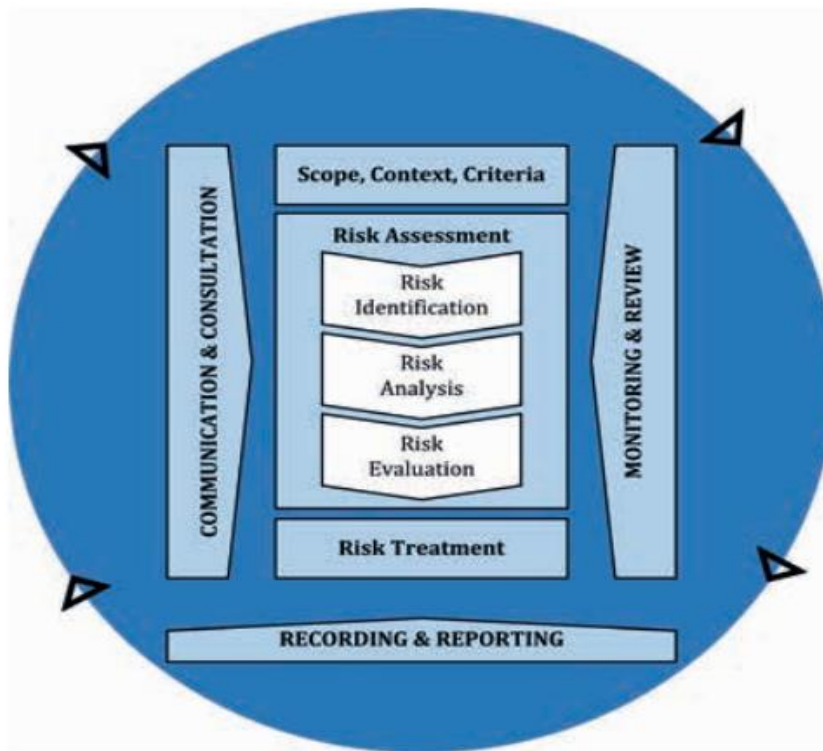
The Board will be the approving authority for the company's overall Risk Management System. The Board on the recommendation of the Risk Management Committee will, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

## **VII. REVIEW OF THE POLICY**

The policy will be the guiding document for risk management at Redington and will be reviewed at least once in two years, by considering the changing industry dynamics, evolving complexity and changes in the risk management regulations/standards/best practices as appropriate.

## **VIII. RISK MANAGEMENT PROCEDURE**

Redington Ltd integrates risk management in core business activities including key decision making. Whenever management or staff are required to make a material decision appropriate risk management has to be performed. The overview of the risk management process in line with the ISO31000:2018 and COSO: ERM 2017 is shown in figure below:



The following is an overview of the risk management process that should typically be applied to important decisions:

**a. Communication and consultation**

Communication and consultation assist relevant stakeholders in understanding risk, the basis on which decisions are made and the reasons why specific actions are required to be initiated. Management and staff need to be made aware that whenever a significant decision needs to take place, the decision proposal has to be supported by a risk assessment. Relevant stakeholders need to be involved in the risk assessment and the outcomes of risk assessment should be communicated to key decision makers.

**b. Scope, context, and criteria**

Establishing the context involves defining the purpose and scope of risk assessment, understanding the context of the decision, planning the approach to be taken and defining the criteria for risk evaluation.

### c. Risk assessment

Risk assessments should be conducted during decision-making process to inform management and key stakeholders about the risks associated with taking or not taking a decision / approving or not approving an initiative or budget. Risk assessments should be conducted for any significant decisions / initiatives. The purpose of risk assessment is to find, recognize and describe risks that might help or prevent the company from achieving its objectives. Relevant, appropriate, and up-to-date information is important in identifying risks.

#### **Risks will be classified broadly into the following categories:**

1. **Strategic Risk:** The risk of earnings or capital arising from adverse business decisions or improper implementation of the decisions. Also includes the range of external events and trends (like Government policy including applicable laws geopolitics, competition, court rulings or a change in stakeholder requirements) that can adversely affect the Company's strategic growth trajectory and destroy shareholder value.
2. **Operational Risk:** includes risks associated specifically with the company and having an adverse impact on the Company's capability to execute activities critical for business continuity, thereby affecting its performance and growth.
3. **Reputation Risk:** The risk of earnings or capital arising from negative public opinion.
4. **Credit Risk:** The risk of earnings or capital arising from an obligor's failure to meet the terms of any contract or otherwise fails to perform as agreed.
5. **Compliance Risk:** The risk of earnings or capital arising from violations of laws, rules, or regulations, or from nonconformance with internal policies and procedures or ethical standards. This risk exposes the organization to fines, civil money penalties, payment of damages, and the voiding of contract and can lead

to diminished reputation and business opportunities, reduced expansion potential and lack of contract enforceability.

6. **ESG Risk:** Environmental, Social and Governance factors that have an impact on the financial success, reputation and management of the company.

**d. Risk analysis** involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood that those consequences can occur using quantitative, semi-quantitative, qualitative techniques or a combination of these.

Risk analysis involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. An event can have multiple causes and consequences and can affect multiple objectives. Actual cost impacts (like claims from vendors, loss of credit given etc) as well as opportunity costs (like loss in realization of revenue, delay in commission of project etc) must be captured to arrive at the total cost impact of materialization of the risk. According to the impact analysis for identified risks, an appropriate risk rating shall be determined for each risk identified.

**e. Risk evaluation** involves identifying controls that currently exist to modify risk by:

- Preventing or reducing the likelihood of an undesirable risk event,
- Mitigating the consequences of such a negative risk event
- Increasing the likelihood of realizing an opportunity
- Increasing the expected gain from such a positive event



#### **f. Risk Treatment**

The following framework shall be used for the implementation of risk treatment strategies:

Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time, the company should formulate its strategy to manage risks. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk including systems and processes for internal control of identified risks.

The risk mitigation can be planned using the following key strategies:

1. **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
2. **Risk Transfer/Sharing:** Mitigation by having another party accept the risk, either partial or total, typically by contract or by hedging.
3. **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss or the probability of occurrence.
4. **Risk taking:** Taking or increasing the risk in order to pursue an opportunity based on informed decision making
5. **Risk Retention:** Accepting the loss when it occurs. Risk-retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time

than the total losses sustained. All risks that are not avoided or transferred are retained by default.

#### **g. Risk monitoring and review**

The purpose of monitoring and review is to assure and improve the quality and effectiveness of risk assessment design, implementation, and outcomes, as well as its contribution to the quality of decision-making process. The results of monitoring and review should be incorporated throughout the performance management, measurement, and reporting activities.

When monitoring and reviewing risks and updating the risks register, risk owners should consider:

- a) Existence of current risks
- b) Whether the likelihood or impact of current risks have changed
- c) Consideration of new and emerging risks
- d) Consider any recent incidents that should be identified and formally assessed in the risk register
- e) Reevaluate effectiveness of existing controls
- f) Consider the need for new controls
- g) Review the progress of risk treatment plans and reassess priorities
- h) Need to alert or escalate new or emerging risks to executive leadership team

#### **h. Risk recording and reporting**

The outcomes of risk management processes should be incorporated into the information presented to decision makers at the time of making a decision as well as at the later stage within the financial and performance reporting. This would be carried out through the ERM tool managed by the risk core group.

Reporting is an integral part of the organization's governance and should enhance the quality of dialogue with stakeholders and support top management and oversight bodies in meeting their responsibilities. Factors to consider for reporting include, but are not limited to:

- Differing stakeholders and their specific information needs and requirements.
- cost, frequency and timeliness of reporting.
- method of reporting.
- relevance of information to organizational objectives and decision-making

## **IX. RISK ORGANISATION STRUCTURE**

The Risk Management Policy will be implemented through the establishment of an Enterprise Risk management [ERM] team headed by the Chief Risk Controller (CRC)

The overall monitoring of the ERM department will be done by the Managing Director/ Group CEO. The board will review the status of the risks regularly through the Risk management committee (RMC).

## **X. ROLES AND RESPONSIBILITIES**

1. The Board will review the risk management policies and system periodically.
2. The Managing Director/ Group CEO will be responsible for ensuring that the risk management process is established, implemented, and maintained in accordance with this policy.
3. Assignment of responsibilities in relation to risk management will be the prerogative of the designated Chief Risk Officer. Each identified risk must be assigned to a risk owner whose responsibility would be to ensure that the level of risk is maintained



within the agreed risk tolerance level

4. The ERM team under the supervision of the designated Risk Officer will be accountable for the identification, assessment, aggregation, reporting and monitoring of risks.

## **XI. INTERRELATIONSHIP OF RISK MANAGEMENT FUNCTIONS**

The interaction between the Business Units and three primary control functions of Risk, Compliance and Internal Audit must be in place for the ERM program to be effective and efficient. All three roles are needed: the Auditor to test operating effectiveness of controls and adherence to policy and procedures; the Compliance Manager to ensure that current policies, products, processes, and systems are being complied to; and the Risk Manager and Department Managers to identify risk exposures to the organization.

## **XII. ENTERPRISE RISK MANAGEMENT TOOL**

An enterprise-wide integrated Enterprise Risk Management tool needs to be implemented by the company. This tool would include the corporate risk register which would serve as the standard and single repository for all key risks of the organisation. The ERM team will be the key group that will use this tool and work with risk owners on an ongoing basis within the risk framework outlined in this policy to mitigate the risks to the Company's business as it evolves.

However, such information is needed at all levels of the organization to identify, assess and respond to future occurrences of risk events. Pertinent information from both internal and external sources must be captured and shared in a form and timeframe that equips personnel to react quickly and efficiently. Effective communication would also involve the exchange of relevant data with external parties, such as customers, vendors, regulators and shareholders.



Further, both historical and current data need to be collected. Historical data tracks actual performance against target, identifies trends, correlates results and forecasts performance. Historical data also provides early warning signals concerning potential risk-related events. Current data gives management a real-time view of risks inherent in a process, function or unit. This will enable the company to alter its activities as needed in keeping with its risk appetite.