SHANTI EDUCATIONAL INITIATIVES LIMITED

RISK MANAGEMENT POLICY

LEGAL FRAMEWORK:

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and the Clause 49 of the Equity Listing Agreement have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" (this Policy) of the Company

OBJECTIVE

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

DEFINITION

i. **"Audit Committee"** means the committee formed under Section 177 of the Companies Act, 2013.

ii. **"Board of Directors"** or the **"Board"** shall mean the board of Directors of the Company, as constituted from time to time;

iii. **"Company"** means SHANTI EDUCATIONAL INITIATIVES LIMITED;

iv. **"Directors"** mean all the Directors on the Board.

v. **"Independent Director"** means a non- executive Director of the Company, other than a nominee Director and who is neither a promoter nor belongs to the promoter group of the Company, and who satisfies other criteria for independence mentioned in the Companies Act, 2013 and the Listing Regulations.

vi. **"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto.

vii. Risk*: Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

- <u>Strategic Risk</u> are associated with the primary long-term purpose, objectives and direction of the business.

- <u>Operational Risks</u> are associated with the on-going, day-to-day operations of the enterprise.

- <u>Financial Risks</u> are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.

- <u>Knowledge Risks</u> are associated with the management and protection of knowledge and information within the enterprise.

(* as defined in Standard of Internal Audit (SIA) 13 issued by the Institute of Internal Auditors)

viii. **"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.

ix. **"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.

x. **"Risk Management Process"** means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Regulations or any other applicable law or regulation to the extent applicable to the Company.

RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

EXTERNAL RISK FACTOR	INTERNAL RISK FACTOR
Economic Environment and Market conditions	Financial Reporting Risk
Fluctuations in Foreign Exchange	Contractual Compliance
Political Environment	Compliance with Local Laws
Competition	Quality and Project Management
Revenue Concentration	Environmental Management
Inflation and Cost Structure	Human Resource Management
Technology Obsolescence	Culture and Values
Risk of Corporate Accounting Fraud	

RESPONSIBILITY FOR RISK MANAGEMENT

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

STEPS IN RISK MANAGEMENT

Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination. Risk management is a shared responsibility. The risk management process model includes the following key activities, performed on a continuous basis:

1. **Risk Identification**: This step involves continuous identification of events at functional level that may have negative or significant material impact on the Company's ability to achieve goals. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc. The team may also follow following techniques on continuous basis to identify the risks:
    a. To conduct internal research on regular basis
    b. To conduct external research on regular basis
    c. To Seek employee feedback on regular basis
    d. To Analyse customer complaints
    e. Consulting an expert as an when required
2. **Risk Assessment:** Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analysing the criticality. It shall further be evaluated based on whether they are internal or external, controllable or non-controllable, inherent or residual. In this step the management shall take the decisions about whether the risk is acceptable or whether it is serious enough to warrant treatment.
3. **Risk Analysis:** Once risks are identified the management shall determine the likelihood and consequence of each risk and shall develop an understanding of the nature of the risk and its potential to affect project goals and objectives.
4. **Risk Treatment:** For every risk element identified the company shall identify a mitigation strategy as well as a tracking mechanism, frequency of tracking, whether the same can be tracked inside or outside the system. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded along with the timelines for implementation.
5. **Monitoring Mechanism:** All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk.

RISK MITIGATION MEASURES:

i. The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.

ii. Fire extinguishers have been placed at fire sensitive locations.

iii. First aid training is given to watch and ward staff and safety personnel.

RISK REPORTING

The reporting of risks, exposure and mitigation plan would be presented once a year to the Audit committee by members authorized by the Risk Committee.

BOARD'S RESPONSIBILITY STATEMENT

Board of Directors shall include 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. 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 risk management framework.

DISCLAIMER CLAUSE

The Management caution its readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.