



**3C IT SOLUTIONS & TELECOMS (INDIA) LIMITED**  
**(Formerly known as 3C IT SOLUTIONS & TELECOMS (INDIA) PRIVATE LIMITED)**

**Risk Management Policy**

**1.1 Definitions**

**1.1.1 Risk**

Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

**1.1.2 Risk Management**

Risk Management is the process of systematically identifying, quantifying, mitigating and managing all risks and opportunities that can affect achievement of a company's strategic and financial goals.

**1.1.3 Risk Event / Trigger Point**

Risk Event / Trigger Point can be defined as a discreet occurrence that negatively affects strategy, decision and process and results in a pecuniary loss.

**1.1.4 Process**

Process would mean series of actions or steps taken to achieve an end. All processes individually and severally shall cover all business activities for each of the risk assessment function.

**1.1.5 Risk Strategy**

The Risk Strategy of a Company defines the Company's standpoint towards dealing with various risks associated with the business. It includes the Company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the Company.

**1.1.6 Risk Assessment**

Risk Assessment is defined as the overall process of risk identification, assessment, risk prioritization and execution of appropriate response strategy to ensure that effective and efficient controls or risk mitigation activities are in place to address potentially high-impact operational risks and take necessary steps to ensure that they are sustainable over a period of time.

**1.1.7 Risk Estimation**

Risk Estimation is the process of quantification of risks.

**1.1.8 Control**

Controls are defined as the power to influence or direct people's behavior or the course of risk events.



### **1.1.9 Response Strategy**

These are a set of activities that will determine the follow-up measures that will be undertaken by the Risk assessment committee to mitigate the risk.

### **1.1.10 Likelihood**

Likelihood is the probability or frequency of risk event occurring at any given period of time.

## **1.2 Objectives of the Policy**

The main objective of this policy is to ensure sustainable business growth with stability and to promote a proactive 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, including the development of the Risk Matrix, in order to guide decisions on risk related issues. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed
2. To establish a framework for the Company's risk management process and to ensure Companywide implementation
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices
4. To assure business growth with financial stability
5. To monitor and review the cyber security and related risks.

## **1.3 Risk Management Policy**

In order to fulfill the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

### **1.3.1 Principles of Risk Management**

1. All business decisions will be made with the prior information and acceptance of risk involved.
2. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.
3. All employees of the Company shall be made aware of risks in their respective domains and their mitigation measures.
4. The risk mitigation measures adopted by the Company shall be effective in the long- term and to the extent possible 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 Company's strategy.

6. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

### **1.3.2 Risk Management Policy Statement**

The policy statement is as given below:

1. To ensure protection of shareholder value through the establishment of an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.
2. To provide clear and strong basis for informed decision making at all levels of the Company.
3. To continually strive towards strengthening the Risk Management System through continuous learning and improvement.

### **1.4.- Types of Risk affecting the Company**

1.4.1 Recognizing the kind of risks that Company is/may be exposed to, risks will be classified broadly into the following categories:

**1. Strategic Risk:** include the range of external events and trends (like Government policy, competition, Political and economical instability, Market Dynamism, International economy, Foreign Currency risk) that can adversely impact the Company's strategic growth trajectory and destroy shareholder value.

**2. Business Risk:** include the risks associated specifically with the Company and having an adverse impact on the Company's capability to execute activities critical for business growth, thereby affecting its near-term performance. Business Risk includes;

#### **a) Concentration risk**

It is defined as probability of loss arising from heavily lopsided exposure to a particular group of counterparties.

#### **b) Competition risk**

It is defined as probability of loss from decline in a firm's competitiveness on account of rivalry.

#### **c) International operations risk**

The inherent risks in conducting business internationally include:

i - country-risk or the risk of the region that we operate in, changes in politico-economic conditions, laws, or regulatory requirements.



ii - Country-specific tax obligations.

iii - Trade barriers and import/export licensing requirements.

**3. Operational Risk:** are those risks which are associated with operational uncertainties, like

a. Risks arising for failures to comply with operational policies and procedures on a daily basis, e.g. maintenance, supplier selection, quality, etc.

b. Risks arising from variations in the quality and availability of the Company's personnel, e.g. recruitment, training, remuneration, development, etc.

c. Risks associated with computer and communications hardware, software and data, e.g. obsolescence, security, availability, access, back-up, etc.

**4. Force Majeure** events like floods affecting operations, theft of key equipment and other acts of God.

### **5. Commodity risk**

Factors that can affect commodity prices include political and regulatory changes, seasonal variations, weather, technology and market conditions. Commodity price risk is often hedged by major consumers. Unexpected changes in commodity prices can reduce a producer's profit margin, and make budgeting difficult. Futures and options are two financial instruments commonly used to hedge against commodity price risk.

### **6. Compliance risk**

Compliance risks are those associated with the need to comply with laws and regulations. They also apply to the need to act in a manner which investors and customers expect, for example, by ensuring proper corporate governance. Risks arising from non-compliance with existing laws and regulations or the potential adverse impact of a change in rules and regulations, e.g. Health & Safety, Environmental, Labour Laws, Food & Safety Laws, Drugs, Concession and Permit requirements, etc.

This Risk mainly includes risks related to:

**a) Direct Taxes:** It includes wrong exemptions taken, additions to income done during assessment proceedings, penalties, late filling of returns, poor response to department queries etc.

**b) Indirect Taxes:** It includes wrong credit taken, penalties, late filing of monthly / annual returns, issues arising during excise / vat audit etc. resulting in financial implications and penal proceedings

**7. Financial risk,** for example non-payment by a customer or increased interest charges on a business loan, risks arising from failure to manage financial aspects, e.g. credit (customers), liquidity (availability of cash) and market risk exposures (foreign and commodity price fluctuations) and to provide complete, accurate and meaningful financial reports for internal and external users. Financial Risk includes:



#### **a) Credit risk**

It is defined as probability of loss arising from a Debtor's default on account of non- payment of financial consideration.

#### **b) Treasury/foreign exchange risk**

It is defined as probability of loss occurring from an adverse movement in foreign exchange rate.

**8. Environmental risks**, including pollution control measures of the Government. The potential for adverse effects and damage on living organisms/human life associated with pollution of the environment by effluents, emissions, wastes, or accidental chemical releases; energy use; or the depletion of natural resources.

**9. Health and safety risks** includes risk of food adulteration, accident/Incident that results in injury, illness, disease, damage or loss at workplace.

**10. Business development risk** includes failure of business strategies, product diversification, marketing strategies, competition, etc.

**11. Market risk** includes changes in share price of the Company, BVPS, PE Ratio and other financial ratios.

**12. Risk of Unutilized Capacity:** There are chances of financial losses in months in which there are no operations and lower production due to lack of orders.

**13. Product Liability Risk** includes liability on Company on account of supply of low / bad quality products.

**14. Risks related to Financial Reporting / Ineffective Controls** includes non-compliance of Accounting Standard issued by the ICAI, Accruals not reversed in the beginning of the next period, Reconciliation of balance sheet not prepared etc. resulting in misstatement in financial statements, Ineffective Controls resulting in frauds, errors, non-compliance of laws / Company policies.

#### **1.5.- Risk Mitigation/ Risk Management Process**

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

a) 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.

b) Risk Transfer: Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

c) Risk Reduction: Employing methods/solutions that reduce the severity of the loss



d) 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.

### 1.5.2- Risk Management Process:

The process of managing the Risk includes the following:

1. **Identify the Risks:** Risks in the Company are identified through 1) inquiries to management and other senior personnel 2) Observation/inspection and 3) By performing analytical procedures.

a) Inquiries are done regarding their operating style, incentive plans, budgets etc.

b) Inspection is done for business plans / strategies, internal controls, reports available in system, minutes etc.

c) Analytical procedures include comparing trends, growth and other quantitative data related to key risks.

2. **Evaluating and assessing the Risks:** Risks are evaluated keeping in consideration their significance and likelihood of occurrence. Significance is assessed by the impact of it on profit / compliance / governance. Likelihood is judged by viewing the historic events of the occurrence of such risks and probability of its occurrence taking into consideration the weakness of internal controls leading to its frequency of occurrence. Accordingly, the risks identified are categorized in Low / Medium / High.

### 3. Handling/Controlling the Risks by—

-Risk Prevention,

-Risk Avoidance,

-Risk Transfer,

-Risk Retention and

-Risk Control.

4. **Monitoring/Reporting:** The identified risk shall be reported to the senior management of the Company and appropriate action shall be taken in order to mitigate that risk.

### 5. Risk Management Policy and implementation.

Objectives shall be set at the strategic level, establishing a basis for operations, reporting and compliance objectives. Identifying the most relevant risks based on situation, evaluate the level of risks based on probability and the significance of their potential impact. Decide appropriate management action to respond to assessed risk. Monitor the implementation and success of risk mitigation action plan. Report to the appropriate level to meet reporting requirements.

### 1.6- Risk Adjustment, Management and Minimization Procedure:



Actions to reduce the likelihood or impact by transfer the full or portion of the risk, e.g. hedging, insurance for fires, insurance for Directors and Officers liability cover, etc.

#### **1.6.1- Commodity risk**

We operate in a market in which commodity/raw materials/finished goods prices are fluctuating. We shall try to mitigate the risk by maintaining stable relationships with our suppliers.

#### **1.6.2- Concentration risk**

In order to mitigate risk of putting all eggs in one basket, we derive our revenues from multiple products, various customers across geographic regions and industry domains. Thus we shall endeavor to remain diversified while still remaining focused on the core business.

#### **1.6.3- Competition risk**

We operate in a highly competitive market and expect competition to increase further in the future. We always strive meet the challenges by satisfying our customers by offering wide range of products with the right quality at right time and with better services and after sales services.

#### **1.6.4- International operations risk**

For meeting such risk we shall avoid high-risk countries and even if we do business with such countries we shall reduce/ hedge our risk by taking third country LC.

#### **1.6.5- Insurance**

In order to reduce and mitigate identifiable risks, we shall have various insurance covers from reputed insurance companies and shall keep the Company's properties and insurable interests insured. Besides wherever it is cost-effective we shall also hedge against the loss of profit by taking appropriate Insurance cover. We shall also cover risk of our Human resources including the key managerial personnel by taking Insurance Policies.

#### **1.6.6- Credit risk**

We shall have laid down extensive norms related to credit period and payment terms and device a credit approval process. In addition to continuously appraising our existing and new customers, we shall have an internal rating mechanism, which seeks to rate/classify existing and new customers. The mechanism shall assign respective grading on the basis of which credit period, payment and other terms shall be decided.

#### **1.6.7- Treasury/foreign exchange risk**

We have plans to expand our business globally. And after successful implementation of our plans, significant percentage of our total revenue might come in foreign exchange, which makes it crucial to monitor movements in the forex market.



Managing the risks from foreign currency rate fluctuations will be the prime function of our finance and treasury department. We shall always keep a close watch on forex market and its trend and do daily review and analysis and take positions accordingly.

The risk management policy covers the extent of risk exposure, measurement and control of risk. It also provides detailed guidelines as to accounting policy and disclosure norms to be complied and the same are highlighted in the Annual Report of the Company.

#### **1.6.8- System of risk management and internal control**

We have set up an effective internal audit function, independent of the external auditors, to review the effectiveness of the risk management system. Audit Committee of the Board oversees the risk management and internal control systems. This system is designed to identify, assess, monitor and manage risks and inform investors of any material changes to the Company's risk profile from time to time.

#### **1.7 - Risk Management Roles & Responsibilities of Risk Manager:**

The Audit Committee and Board of Directors of the Company shall identify Risk Manager from time to time. Roles & Responsibilities of Risk Manager shall include:

1. To ensure adequacy of control frameworks to manage risks across the Organization.
2. To ensure the implementation and compliance with the risk management policy and process.
3. To define the risk management policy framework and process.
4. Promote and implement monitoring of risk management strategies and policies.
5. Ensure the implementation of risk management framework and process and ongoing risk assessment of risks.
6. Promote risk culture and ensures the risk management process is sustained Organization wide.

#### **1.8- Residual Risk:**

Inherent Risk includes the risk to an entity in the absence of any actions that management might take to alter the risk's likelihood or impact. Residual risk is the risk remaining after management's response to the risk. Controls are implemented to mitigate that risk as and when the significance of such risk is considered material.