# RISK MANAGEMENT POLICY

**ARIGATO UNIVERSE LIMITED**

# RISK MANAGEMENT POLICY

## 1. BACKGROUND

Arigato Universe Limited through this policy would like to counter the ever- changing business dynamics, technologies, customer preferences and competition. It is very important for an Company to assess the impact of all these factors on its business, in a timely manner, to maintain its sustainability.

This document is intended to formalize a Risk Management Policy for Arigato Universe Limited and its subsidiaries companies.

The Risk Management process typically starts with identifying the risks that the Company might face in achieving its short-term and long-term goals. The identified risks are analysed, considering likelihood and impact as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks in the context of their impact on the Company's revenue, profit, assets, reputation, environment and sustainability.

Effective risk management requires:

- A strategic focus
- Forward-thinking and active approaches to management
- Contingency planning in the event that critical threats are realized and
- Balance between the cost of managing risk and the anticipated benefits.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia comprise Business and financial risks, Market-related risks including competition, Technology related risks including obsolescence and operational risks including talent retention and industrial relations.

## 2. KEY DEFINITIONS

a) **Audit Committee:** The Audit Committee is constituted under the provisions of the Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

b) **Board of Directors or Board:** In relation to a Company, means the collective body of the Directors of the Company.

c) **Policy:** Policy means Risk Management Policy.

d) **Risk:** Risks are events or conditions that may occur and whose occurrences, if it does take place, have harmful or negative impact on the achievement of the Company's business objectives. The exposure to the consequences of uncertainty constitutes a risk

e) **Risk Management:** Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect the achievement of a company's strategic and financial goals and also protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

f) **Risk Management Process:** The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

g) **Risk Strategy:** The Risk Strategy defines the Company's approach 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.

h) **Risk Assessment:** Risk Assessment is defined as the overall systematic process of identifying risk, its analysis and evaluation. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

i) **Risk Estimation:** Risk Estimation is the process of quantification of risks.

j) **Risk Tolerance/ Risk Appetite:** Risk tolerance/ Risk appetite indicates the maximum quantum of risk that the Company is willing to take as determined from time to time in accordance with the Risk Strategy of the Company.

k) **Risk Description:** A Risk Description is a comprehensive collection of information about a particular risk recorded in a structured manner.

## 3. IMPLEMENTATION OF RISK MANAGEMENT

The overall responsibility for risk management lies with the Board of Directors, with responsibility for implementation delegated through the Audit Committee to the Chief Financial Officer.

The Board requires that reasonable steps are taken to ensure that there are sound arrangements for risk management, control and governance and for economy, efficiency and effectiveness within the company.

The Audit Committee has the responsibility for assessing the effectiveness of risk management and reporting on the arrangements for risk management to the Board of Directors.

## 4. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance, Principles and Code of Conduct and aims at improving the governance practices across the business activities of the Company. The Companies Act, 2013 and SEBI (LODR) Regulations 2015 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 prescribe that the Board of Directors Report must include a statement indicating the 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.

Further, Section 177(4)(vii) of the Companies Act, 2013 prescribes that 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 risk management systems.

Schedule IV of the Companies Act, 2013 further lays down that Independent Directors should satisfy themselves that systems of risk management are robust and defensible.

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.

## 5. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable growth in business with stability and to promote a proactive approach to reporting, evaluating and resolving risks associated with the Company's business. In order to achieve this objective, the Policy establishes a structured and disciplined approach to Risk Management, in order to guide behaviour and decisions on risk-related issues.

**The specific objectives of the Policy are:**

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified and are appropriately mitigated, minimized and managed so as to ensure the adequacy of systems for risk management.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To ensure that Regulatory compliance and integrity in reporting is achieved;
- To assure sustained business growth with financial stability.

## 6. APPLICABILITY

This Policy applies to all areas of the Company's operations.

## 7. RISK FACTORS

The objectives of the Policy listed above seek to address both external and internal risks faced by the company. The company has categorized risks into four major categories Financial, Operational, Market and technology-related. In each of these categories, risks have been further identified at granulated manner as below:

- External Risk Factors
  - Economic Environment and Market conditions
  - Competition
  - Revenue Concentration
  - Inflation and Cost Structure
  - Technology Obsolescence
  - Legal compliance
  - Fluctuations in Foreign Exchange
  - Unfavourable duty structure

- Internal Risk Factors
  - Liquidity risk
  - Contractual Compliance
  - Operational Efficiency
  - Quality Assurance
  - Environmental Management
  - Human Resource Management
  - Culture and values
  - Competitor risk

## 8. RESPONSIBILITY FOR RISK MANAGEMENT

Within the Company, each employee is responsible for the effective management of risk including the identification of potential risk in their respective areas of operation. The Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes need to be integrated with other planning processes and management activities. The Annual business planning process includes careful consideration of the internal and external risk profile of the Company.

## 9. ROLES AND RESPONSIBILITIES OF BOARD

- The Board reviews the risk management policies and systems periodically.
- The Managing Director and Chief Financial Officer are responsible for ensuring that the risk management system is established, implemented and maintained in accordance with this policy.

## 10. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee shall evaluate the Risk Management Systems on a continual basis.

## 11. COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Managing Director and Board of Directors have the responsibility for overviewing management processes towards identifying, assessing and monitoring risks associated with the Company's business

Operations and the implementation and maintenance of policies and control procedures so as to give adequate protection against key risks. In doing so, they also consider and assess the appropriateness and effectiveness of management information systems and other systems of internal control within the Company.

## 12. INTEGRITY OF FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are required to report in writing to the Board that:

- the financial statements of the Company present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

## 13. APPROVAL OF THE POLICY

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

## 14. REVIEW

The Audit Committee is responsible for the evaluation of the risk management systems of the Company based on information provided by the Senior Management and the CFO. This Policy shall be reviewed by the Board annually to ensure it meets the requirements of statutes and the needs of the Company.

## 15. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.