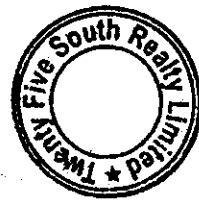


# **TWENTY FIVE SOUTH REALTY LIMITED**

## **RISK MANAGEMENT POLICY**

**MODIFIED IN BOARD MEETING HELD ON DECEMBER 14, 2019**

A handwritten signature in black ink, appearing to read "Juan B.", is positioned to the left of the circular stamp.

**TWENTY FIVE SOUTH REALTY LIMITED**

**RISK MANAGEMENT POLICY**

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# **TWENTY FIVE SOUTH REALTY LIMITED**

## **RISK MANAGEMENT POLICY**

### **I. INTRODUCTION:**

Oxford Dictionary defined the term 'Risk' as a chance or possibility of danger, loss, injury or other adverse consequences. Risk is an inevitable and a necessary adjunct to the functioning of an organization. Whether it is a strategic decision-making or carrying on normal day-to-day operations of a company, almost every activity involves an element of risk or uncertainty. Risk management assists in identification, assessment and prioritization of the various risks faced by a company. It helps the organization to understand potential risks, their impact and provides an opportunity to be prepared with alternative risk responses to mitigate/reduce the occurrence or impact of such risks.

The Company, being primarily engaged in the business of execution and development of real estate project, is exposed to varying degree of uncertainty both at the micro and macro levels which affects the economy as a Whole and the real estate sector as well. Effective risk management is, therefore, crucial for the Company to optimize its performance.

### **II. PREAMBLE:**

In order to comply with the procedural requirements under the Companies Act, 2013, this Policy was adopted by the Board in its meeting held on December 14, 2019. This Policy shall be effective from December 14, 2019 and shall be application to all functions and departments of the Company.

### **III. OBJECTIVES:**

'Risk Management' is a continuous and dynamic process that involves identification, assessment, analysis, and measurement of all potential threats, events, and associated risks which may have a bearing on the achievement of stated objectives or operations of a company.

This Policy lays down the framework for risk management at Twenty Five South Realty Limited seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

The strategic objectives of this Policy are :

- i. Providing a framework that enables future activities to take place in a consistent and controlled manner;
- ii. Improving decision making, planning and prioritization by comprehensive structured understanding of business activities, strength, weaknesses, opportunities and threats (SWOT analysis);
- iii. Ensuring more efficient use/allocation of resources within the organization;
- iv. Balance between the cost of managing the risk(s) and anticipated benefits;
- v. Optimizing operation efficiency;

### **IV. REGULATORY FRAMEWORK:**

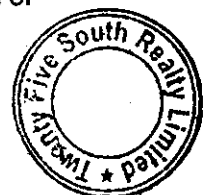
#### **COMPANIES ACT, 2013**

##### **1. Section 134 (3)**

'There shall be attached to the financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include –

- (a) a statement indicating development and implementation of a risk management policy for the company including identification therein of

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Elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.'

**2. Section 177 (4)**

'Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter-alia include –

- (i) evaluation of internal financial controls and risk management systems;

**3. Schedule IV [Section 149 (8)]**

**CODE FOR INDEPENDENT DIRECTORS**

**II. Role and functions :**

'The independent directors shall :

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct;
- (4) satisfy themselves in the integrity of financial information and that financial controls and the **systems of risk management** are robust and defensible."

**V. ENTERPRISE RISK MANAGEMENT [ERM]:**

1.1 'Enterprise Risk Management' is a discipline by which an organization in any industry assesses, controls, exploits, finances and monitors risks from all sources for the purpose of increasing the organisation's short-term and long-term value to all its stakeholders.

1.2 The Company has adopted a comprehensive Enterprise Risk Management (ERM) framework which will enable the Company to take an appropriate level of risks in its businesses and also enhances its ability to manage and mitigate such risks.

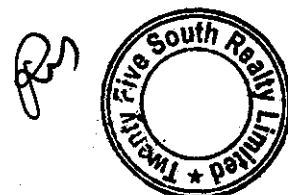
1.3 The risk categories covered under the ERM programme include operation, financial, business development, marketing as well as compliance-related risks across various levels in the organization.

**1.4 Scope of ERM:**

- 1.4.1 Aligning risk appetite and strategy
- 1.4.2 Enhancing risk response decisions
- 1.4.3 Reducing operational surprises and losses
- 1.4.4 Managing multiple and cross enterprise risks
- 1.4.5 Grabbing opportunities
- 1.4.6 Improving deployment of capital

**1.5 Objectives of ERM:**

- 1.5.1 Improve risk-based decision making
- 1.5.2 More effective use of capital
- 1.5.3. Comply with regulatory changes
- 1.5.4 Improve shareholder value



- 1.5.5 Anticipating problems before they become a threat
- 1.5.6 Co-ordinating various risk management activities

## **VI. ENTERPRISE RISK MANAGEMENT FRAMEWORK:**

### **1.1 Risk Identification and Classification**

- Risks from internal and external sources have to be identified.
- Risk identification can start with the source of the problem or the problem itself in consultation with all the concerned departments and functions.

### **1.2 Risk Assessment and Risk Analysis**

- Each Head of Department shall own the risk pertaining to their respective functions.
- The risk owner shall interface with other departmental heads whenever cross-functional business processes are involved.
- The risks shall be analysed in detail, considering likelihood and impact, as a basis for determining how they should be managed.
- Risk Assessment consist of a detailed study of threats and vulnerability and resultant exposure to various risks.

### **1.3 Risk Mitigation**

The management shall adopt a systematic approach to mitigate risks associated with the accomplishment of objectives, operations, revenues and regulations.

## **VII. IMPLEMENTATION OF RISK MANAGEMENT POLICY:**

The Head of respective Departments ("HODs") shall be responsible for implementation of this Risk management Policy, as may be applicable to their respective areas of functioning and report to the Board of Directors, who in turn shall co-ordinate with the Audit and Compliance Committee.

## **VIII. DISCLOSURE IN BOARD'S REPORT:**

The Report of the Board of Directors of the Company shall include a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, which in the opinion of the Board of Directors may threaten the existence of the Company.

## **IX. APPLICABILITY OF THIS POLICY:**

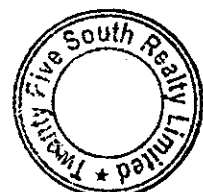
This Policy shall apply to all the areas of the Company's Operations.

## **X. REVIEW OF THE POLICY:**

This Policy shall be reviewed and amended by the Board of Directors from time to time based on changes in business practices and risk assessment or any statutory enactment or amendment thereto.

## **XI. DISCLOSURE ON WEBSITE:**

This Policy shall be hosted on the Company website.



**XII. DISCLAIMER CLAUSE:**

The Management is not an expert in the assessment of risk factors risk mitigation measures and Management's perception of risks. Reader are, therefore, requested to exercise their own judgment in assessing various risks associated with the Company.

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