RISK MANAGEMENT POLICY

Version – 1.3

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RISK MANAGEMENT POLICY

1. INTRODUCTION

Tarsons Products Limited (hereinafter referred to as "Tarsons" or "Company") has formulated this Risk Management Policy (hereinafter referred to as "Policy") in accordance with Section 134(3)(n) of the Companies Act, 2013 (hereinafter referred to as "Act") and Regulation 17(9)(b) and Regulation 21 read with Para C of Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") to develop and maintain a Risk Management Plan for the purpose of assessing and minimizing risks.

The Company believes that risk management is an integral part of good management practice and is an indispensable element in achieving business goals and objectives. It is a continuous process of analyzing and managing the opportunities and threats faced by the Company. The Company's Risk Management Policy provides the framework to manage the various risks associated with its business activities and seeks to identify risks inherent in business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks. These risk management practices seek to sustain and enhance stakeholders' value and long-term objectives of the Company.

2. OBJECTIVES AND SCOPE

The Risk Management Policy sets an effective framework for taking informed decisions about risk management and helps in minimizing the adverse consequences of the related risks. The main objective of this Policy is to create and protect shareholder value by minimizing threats or losses and identifying and maximizing opportunities and to ensure sustainable business growth with stability and to promote a structured and disciplined approach in reporting, evaluating and resolving the risks associated with the Company's business.

This Risk Management Policy applies to all business activities, operations, processes, functions and decision-making levels of the Company and, where applicable, its material subsidiaries, in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The specific objectives of the Policy inter-alia include the following:

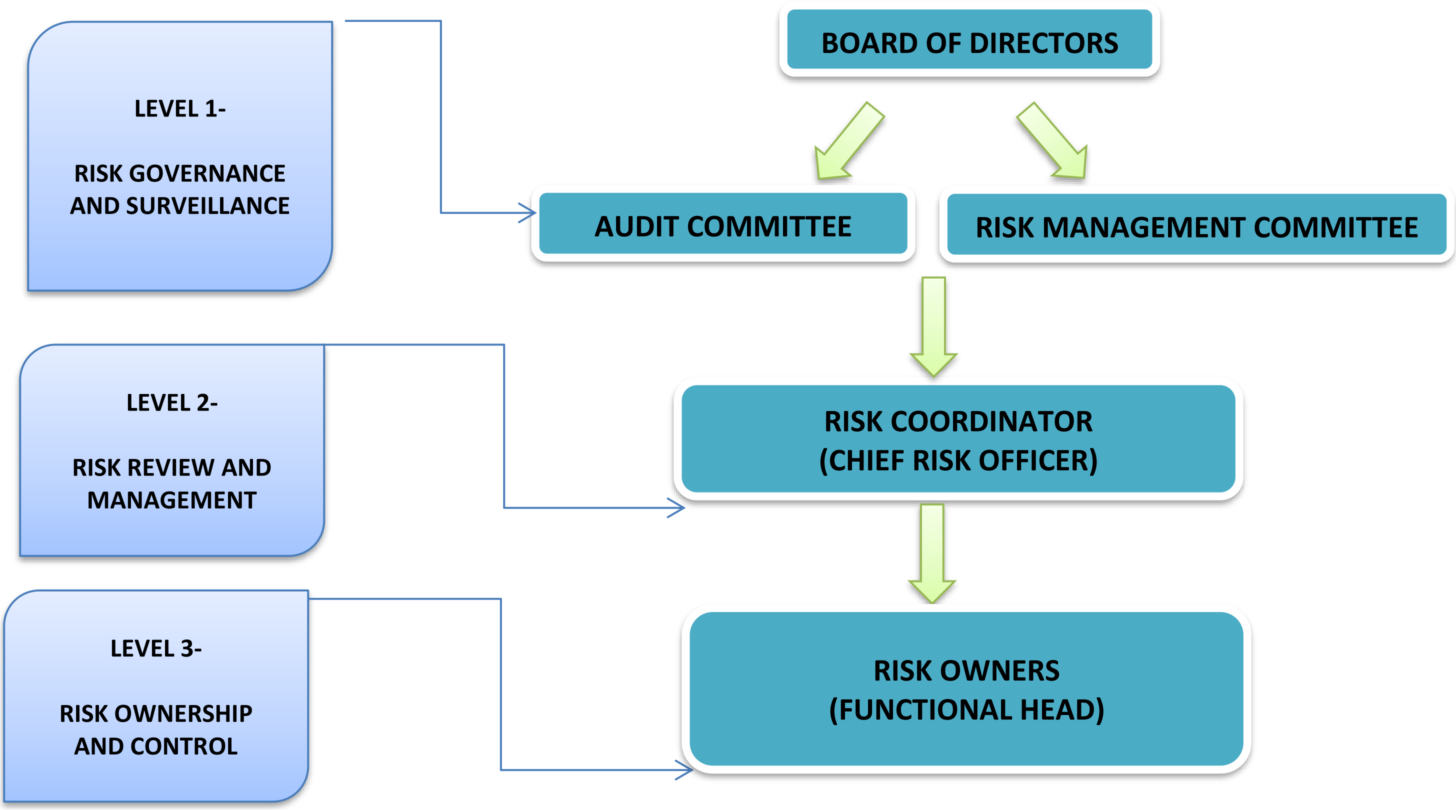
- Providing a framework that enables to identify internal and external risks faced by the Company including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee;
- Ensuring identification, assessment and monitoring of Environmental, Social and Governance (ESG) risks in alignment with SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework;
- Ensuring that all the current and future risk exposure activities of the Company are operating in a consistent & controlled manner with adequate systems of risk management;
- Evaluating the likelihood and impact of major adverse events;
- Preparing risk mitigation plans by setting up systems and processes for internal control of identified risks;
- Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/threats;
- Enabling compliance with appropriate regulations and adoption of leading practices;
- Contributing towards more efficient use/allocation of the resources within the organization by formulating a Business Continuity Plan;
- Reducing volatility in various areas of the business by developing and supporting people and knowledge base of the organization;
- Optimizing operational efficiency by anticipating and responding to the changing economic, social, political, technological, legal and environmental conditions in the external environment;
- The appointment, removal, and terms of remuneration of the Chief Risk Officer (CRO) (if any) shall be subject to review by the Risk Management Committee;

3. **RISK MANAGEMENT FRAMEWORK**

3.1. Governance Structure

The Board of Directors, the Audit Committee and the Risk Management Committee ("RMC") are responsible to ensure that the Company has in place a robust risk management framework and monitors the effectiveness of the same on a periodical basis.

The Company has established the three levels of risk management responsibilities in its risk management structure. These are- (a) Risk Governance and Surveillance, (b) Risk Review and Management and (c) Risk Ownership and Control.



(a) RISK GOVERNANCE AND SURVEILLANCE

➢ **Board of Directors**

The Board shall be responsible for ensuring the integrity of risk management systems and for defining the risk management strategy and objectives, overseeing the development and implementation of the Risk Management Policy and for monitoring the process of effective risk management. The Board shall give directions to the Audit Committee or RMC to identify the top priority risks and design the mitigation plan and shall meet at least twice in a year to review the same. Board of Directors shall also review the Risk Management policy at least once in two years based on the recommendations of RMC.

➢ **Audit Committee**

The Audit Committee shall annually evaluate the risk management systems and shall be entrusted with the responsibility of periodic evaluation of risk management program and provide insight and direction to the RMC. The Audit Committee would have an oversight of the management of Operational and Financial Risks faced by the Company and shall review the risk assessments prepared and reviewed by the Risk Owners and Chief Risk Officer ("CRO") by relying on the Internal Financial Controls and Internal Audit mechanism adopted by the Company.

- **Risk Management Committee**

The Risk Management Committee (RMC) shall be constituted in accordance with Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, including requirements relating to minimum number of directors, majority of Board members, presence of Independent Director, Chairperson eligibility, quorum and reporting obligations.

The RMC shall have primary responsibility for oversight of enterprise-level and strategic risks, with clearly defined coordination mechanisms explicitly. The RMC shall assist the Board in framing the Risk Management Policy and in guiding the implementation, monitoring and reviewing the effectiveness of risk management policy and practices. The Committee shall ensure that appropriate methodology and processes are in place to monitor and evaluate the business risks and further act as a forum to discuss and manage key strategic and business risks.

The RMC shall appoint the Chief Risk Officer (CRO) and shall meet at least twice in a year or at such intervals as may be deemed fit and keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken and shall act in accordance with the terms of reference as approved by the Board.

The RMC shall coordinate its activities with other Board-level committees, including the Audit Committee, wherever there is an overlap of responsibilities, to ensure integrated risk oversight.

(b) RISK REVIEW AND MANAGEMENT

- **Risk Coordinator**

The CRO as appointed by the RMC shall act as the risk coordinator. The risk coordinator shall ensure risk management processes as defined in this Policy are executed and act as a coordinator between various functional head and the RMC. The risk coordinator shall provide necessary tools and resources to identify, manage and mitigate the critical risks and shall review and report the status of risks on yearly basis to the RMC and shall be further responsible for reviewing the task of process owners, conducting internal risk review meetings, for tracking and ensuring that all the action plan as devised are being implemented timely, for maintaining risk registers and risk management policy, and suggesting best practices for strengthening the risk management process.

(c) RISK OWNERSHIP AND CONTROL

- **Risk Owners**

The Risk Owners, i.e., the functional head, play the most crucial role as they ultimately help in developing, maintaining and embedding the risk management framework within the Company. They help in identifying the risks at the ground level and support and manage the risk management process from the bottom line. The role of functional head of various business units shall be ongoing towards maintenance of the risk management framework and shall accept the risk of their respective areas and own the risk management plan of their unit. The risk owner shall drive and monitor the progress of the mitigation strategies and shall also be responsible for reporting the status of mitigation plan to the Risk Coordinator.

3.2. Risk Management Activity Timeline

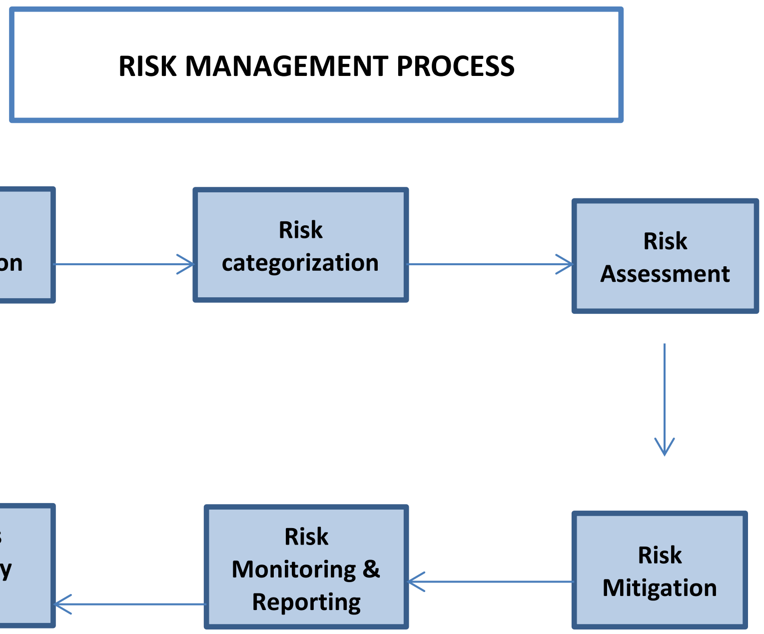
The monitoring of the Risk Management activities of the Company shall be done in the following manner:

Particulars	Timeline
Board of Directors	Annually
Audit Committee	Annually
Risk Management Committee	Bi-annually
Risk Coordinator (Chief Risk Officer)	Annually
Risk Owners	Ongoing

Note: The Committee shall meet at least twice annually or as frequently as may be considered necessary by the Chairperson of the Committee. There should not be a gap of more than 210 days between two consecutive meetings.

3.3. Risk Management Process

The Risk Management process of the Company shall be carried out in the following manner:



I. **Risk Identification-** Risk identification consists of determining the risks which are likely to affect the Company and recording the characteristics of those risks**.** Identification of risks is the responsibility of each risk owner and is performed based on internal research, industry and market performance, previous internal audit reports, scanning of the external environment, past occurrence of such events, etc. The process includes revision of key risks at periodic intervals by every functional head.

II. Risk Categorization-

All identified risks shall be categorized on the basis of three criteria namely (i) **Type of Risk** which includes Financial, Operational, Sectoral, Regulatory, Third-party, Sustainability (particularly ESG related risks), Social, Environmental, Information, Cyber Security, Technological and Other Risks (ii) **Risk Impact Matrix** in terms of High, Medium and Low scales (iii) **Risk Likelihood Matrix** in terms of Likely, Possible and Unlikely probabilities. These risks are assessed to classify them as per the criticality for the business which enables prioritization of risks and helps in deciding the right risk management plans and strategies for the different class of risks. The Risk Management Committee and the CRO are responsible for categorization of such risks. Details of the categorization are summarized below:

Risk Assessment Criteria-				
(1)	**(2)**			**(3)**
Type of Risks	**Risk Impact Matrix**			**Risk Likelihood Matrix**
	Impact Category	**Risk quantification meter (% of Net worth)**	**Description**	**Likelihood Category**
1. Financial 2. Operational 3. Sectoral 4. Regulatory 5. Third-party 6. Sustainability (particularly ESG related risks) 7. Social 8. Environmental 9. Information 10. Cyber Security 11. Technological 12. Others	High	>3%	Significant impact on business continuity plans and long-term objectives	Likely- Almost inevitable
	Medium	1-3%	Moderate/Short term impact on business continuity plans	Possible- Probable, can happen in near future
	Low	≤1%	Limited impact on business continuity plans	Unlikely- Less probable, can happen over long time

III. Risk Assessment- Risk assessment or evaluation allows the Company to consider the extent to which the potential event might affect the Company. It involves comparing the level of risk found during the analysis process against the pre-defined risk weights after taking existing controls into consideration. If the resulting risks fall into 'high or very high' critical factors then the same shall be considered for risk planning and mitigation and if the risks fall into the low or acceptable risk critical factors then they may be accepted with minimal further treatment and shall be kept in watchlist. The respective functional head shall be responsible for assessment of risks in consultation with CRO.

IV. Risk Mitigation- Risk mitigation plans are considered for adopting the suitable treatment strategy. For the risk mitigation steps, suitable risk-based control system is evaluated, the investment, cost, revenue, profit and other related factors are analyzed and action plans supporting the strategy are developed and recorded along with the suitable timelines for implementation of the same. Each functional head/unit head is responsible for implementing the mitigation plan for the identified key risks for their relevant area. Strategies/alternatives are developed to reduce or treat the potential risks. The respective Risk Owner provides status update on the mitigation plan to the Risk Coordinator on a quarterly basis which is further reviewed by the RMC. RMC shall have access to all information and have the powers to seek information from any employee, obtain any legal or professional advice, if necessary.

V. **Risk Monitoring & Reporting -** Risk monitoring ensures identifying any new risk, modifying existing risk, scanning external environment for emerging risk and accordingly updating the priority for risks. The Risk Management Committee meets at least twice in a year to review the risk management process and if required revisit the top risks at the company level. The Risk Coordinator works with the respective Risk Owners to track status of mitigation plan for key risks which is reported to RMC. RMC shall further monitor all aspects of an identified risk on a regular basis as the risk factor may keep changing from time to time due to continuous changes in external environment.

4. Business Continuity Plan- A business continuity plan outlines procedures which an organization must follow in case of uncertain events. Business continuity Planning shall be embedded in the Internal Control systems for areas like manufacturing units, sales offices, information technology function, etc. The functional head and CRO shall be responsible for developing communication protocols, periodic training and competency building activities. Periodic mock drills shall also be conducted to ensure that the Company is prepared to manage any crisis event quickly for long-term business continuity. The Business Continuity Plan shall also cover crisis communication protocols including timely regulatory disclosures to stock exchanges under Regulation 30 of SEBI LODR and stakeholder communication mechanisms.

4. REVIEW AND AMENDMENT OF THE POLICY

The Board of Directors on the recommendation of the Risk Management Committee shall review this Risk Management Policy at least once every two year or earlier if required due to regulatory or business changes and has the right to amend or modify this Policy in whole or in part, at any time, without assigning any reason whatsoever, subject, however, to the condition that such alterations shall be in consonance with the provisions of the applicable law.

In any circumstance where the terms of this Policy differ from any applicable law governing the Company, such applicable law will take precedence over this Policy and procedures until such time as this Policy is modified in conformity with the applicable law.