

## Unitech Limited

### **Risk Management Policy**

#### **1. Background**

**Unitech Limited** is committed for conducting its business based on the highest standards of corporate governance. The Company promotes a culture that is based on the principles of good corporate governance practices, such as, integrity, equity, fairness, individual accountability and commitment to values. The Company considers on-going risk management to be a core component of the management of the Company, and understands that the Company's ability to identify and address the elements of risk is central towards achieving its corporate objectives.

The Company's Risk Management Policy is framed to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business. It outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with regulation 17 (9)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of the Companies Act, 2013, which require the Company to lay down procedures about the risk assessment and risk minimization.

#### **2. Objectives**

- (i) To establish a framework for the Company's risk management process and to ensure its implementation.
- (ii) To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- (iii) To facilitate compliance of various regulations, wherever applicable, through the adoption of best corporate practices.
- (iv) To create awareness among the stakeholders about the risks inherent to the Company's business and operations.

#### **3. Applicability**

This Policy shall apply to Unitech Group of Companies.

#### **4. Regulatory Requirements**

**A. Requirements as per Companies Act, 2013:**

(i) Responsibility of the Board:

Section 134 (3)(n) stipulates that there shall be attached to statements laid before a Company in General Meeting a report by its Board of Directors which shall *inter alia* 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 operations and existence of the Company.

(ii) Responsibility of the Audit Committee:

Section 177(4) stipulates 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 internal financial controls and risk management systems.

(iii) Responsibility of Independent Directors:

Section 149 (8) lays down that the *Company* and Independent Directors shall abide by the provisions specified in Schedule IV. The role and functions of Independent Directors as defined in Schedule IV (II) are as under:

*“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 on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible...”*

**B. Requirement as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

(i) Regulation 17 (9) stipulates as under:

(a) *The listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.*

(b) *The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.*

(ii) Regulation 21(4) provides as under:

The role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II, which further states that the role of the Committee, shall *inter-alia*, include the following:

- (1) *To formulate a detailed risk management policy which shall include:*
  - (a) *A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.*
  - (b) *Measures for risk mitigation including systems and processes for internal control of identified risks.*
  - (c) *Business continuity plan.*

## **5. Risk Management Process**

### **(i) General**

Risk Management process includes four activities: (a) *Risk Identification*, (b) *Risk Assessment*, (c) *Risk Mitigation*, and (d) *Monitoring and Reporting*.

### **(ii) Risk Identification**

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in the light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company majorly focuses on the following types of material risks:

- (a) Market risks: Price, Customer tastes, location, sentiments, preferences, and competitors.
- (b) Macroeconomic risks: Fluctuation in Interest rates, Foreign Exchange rates, inflation.
- (c) Regulatory risks: Changes in tax/ tariffs regulations, building regulations, environmental clearances.
- (d) Project Execution risks: Risks associated with time, cost, quality and project delivery management, technological risk.
- (e) Human Resource risks.

The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the Heads of various Divisions. They shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

(iii) Risk Assessment

Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence. Each identified risk is assessed on two factors, which determine the risk exposure, namely, (a) Impact if the event occurs, and (b) likelihood of event occurrence

Risk categories: It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments, each of the risks can be categorized as - Low, Medium and High.

(iv) Risk Mitigation

The following framework shall be used for implementation of Risk Mitigation:

- (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/ insurance.
- (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 than the total losses sustained. All risks that are not avoided or transferred are retained by default.

## **6. Risk Management Committee**

(i) Composition

The Risk Management Committee shall consist of minimum three (3) members with majority of them being members of the Board of Directors, including at least one Independent Director. The

Chairperson of the Risk Management Committee shall be a member of the Board of Directors and senior executives of the Company may be members of the Committee. The Company Secretary shall act as Secretary to the Committee.

(ii) Meetings

The Risk Management Committee shall meet at least two (02) times in a year and not more than 180 days shall elapse between any two consecutive meetings. The Quorum for the meeting shall be a minimum of two (02) members or one-third of the members of the Committee, whichever is higher, including at least one member of the Board.

(iii) Oversight and Management

The Committee is responsible for day-to-day oversight and management of risk pertaining to the Company and shall ensure that the Company maintains effective internal controls and processes, and gives regular reports to the Board on the effectiveness of the risk management in identifying and addressing material business risks. To achieve this, the Committee shall take steps to:

- (a) Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- (b) Monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of risk management systems;
- (c) Regularly monitor and evaluate the performance of management in managing risk;
- (d) Provide the necessary tools and resources to identify and manage risks to the Management and employees;
- (e) Regularly review and update the current list of material business risks;
- (f) Regularly report about the status of material business risks to the Board;
- (g) Periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexities;
- (h) Keep the Board informed about the nature and contents of its discussions, recommendations and proposed actions;
- (i) Ensure compliance with regulatory requirements and best

practices with respect to risk management, among others.

**7. Monitoring and reviewing risks**

Risk monitoring, reviewing, mitigating and reporting are critical components of risk management process. Once risks are identified, these shall necessarily be prioritized based on the impact, dependability on other factors, effectiveness of existing controls etc.

Existing process of risk assessment of identified risks and their mitigation plan will be placed before the Board on a regular basis.

**8. Disclosure in Board's Report**

The Board's report shall include a statement indicating development and implementation of Risk Management Policy, including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

**9. Amendment**

Any change/ amendment in the Policy shall be approved by the Board of Directors on the recommendations of the Audit and Risk Management Committee. Any subsequent amendment or modification made by the competent authority in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/ or any other laws in this regard shall *mutatis mutandis* apply to this Policy as well.

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