RISK MANAGEMENT POLICY

Introduction

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within Dynamatic Technologies Limited (DTL) environment.

Risk is inherent in all genres of business activities. Every employee of DTL continuous to manages the Risk. Format and systematic approaches to managing risk have evolved and they are now regarded as good management practice. As a consequence, DTL acknowledges that the adoption of a strategic and formal risk management policy will improve decision making, enhance outcomes and accountability.

The policy shall, at the functional level, be periodically reviewed and the risk matrix suitably updated, before review and approval at the Board level, as stated elsewhere in this policy.

The Securities Exchange Board of India ("SEBI") on May 5, 2021 amended Regulation 21 in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top one thousand listed Companies (based on market capitalization of every financial year) to formulate and disclose a Risk Management Policy.

DTL being one of the top one thousand listed companies as per the market capitalization as on the last day of the immediately preceding financial year, frames this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Company had already adopted a Risk Management Policy and the same is amended in the meeting held on 23rd July 2021, to give effect to the aforesaid amendments.

1. Definitions

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.

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

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

Risk Assessment – Risk Assessment is defined as the overall process of risk analysis and evaluation.

Risk Estimation – Risk Estimation is the process of quantification of risks.

Risk Tolerance / Risk Appetite – Risk Tolerance or Risk Appetite indicates the maximum quantum of risk which DTL is willing to take as determined from time to time in accordance with the Risk Strategy of DTL.

Risk Description – Risk Description is a comprehensive collection of information about a particular risk recorded in a structured manner.

2. Objectives of the Policy

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risk 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:

2.1 To ensure that all the current and future material risk exposures of DTL are identified, assessed, quantified, appropriately mitigated and managed;

2.2 To establish a framework for DTL's risk management process and to ensure Company-wide implementation;

2.3 To ensure systematic and uniform assessment of risk related with each of the units of DTL;

2.4 To enable compliance with appropriate regulations, wherever applicable through the adoption of best practices; and

2.5 To assure business growth with financial stability.

3. Guiding Principles

In order to fulfil 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:

3.1 Principles of Risk Management

3.1.1 All business decisions will be made with the prior information and acceptance of risk involved.

3.1.2 The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.

3.1.3 All employees of DTL shall be made aware of risk in their respective domains and their mitigation measures.

3.1.4 The risk mitigation measures adopted by DTL shall be effective in the long-term and to the extent possible be embedded in the business processes of DTL.

3.1.5 Risk tolerance levels will be regularly reviewed and decided upon depending on the change in DTL's strategy.
The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

3.2 Risk Management Policy Statement

3.2.1. 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;

3.2.2 To provide clear and strong basis for informed decision making at all levels of the organization; and

3.2.3 To continually strive towards strengthening the Risk Management System through continuous learning and improvement.

4. Scope and extent of application

The policy guidance are devised in the context of the future objective, business profile envisaged and new business endeavors including new products and services that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations. This policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within DTL and events outside DTL which have a bearing on DTL's business. The policy shall operate in conjunction with other business and operating / administrative policies.

5. Risk Assessment

The process of Risk Assessment shall cover the following:

5.1 *Risk Identification and Categorisation* – the process of identifying DTL's exposure to uncertainly classified as Strategic / Business /Operational.

5.2 *Risk Description* – the method of systematically capturing and recording DTL's identified risks in a structured format.

5.3 *Risk Estimation* – the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach.

6.1. Risk Identification and Categorisation

As defined earlier, 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.

Key characteristics by which risk can be identified are:

- Risks are adverse consequences of events or changed conditions
- Their occurrence may be identified by the happening of trigger events
- Their occurrence is uncertain and may have different extends of likelihood.

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

6.1.1 *Strategic Risks*: include the range of external events and trends (like Government policy, competition, court rulings or a change in stakeholder requirements) that can adversely impact DTL's strategic growth trajectory and destroy shareholder value.

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

6.1.3 *Operational Risks*: are those risks which are associated with operational uncertainties like unpredictable events, force majeure events like floods, earthquakes, etc., affecting operations, internal risks like attrition etc.

6.2 Risk Description

A risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures. Risk descriptions for each of the risks identified in the Risk Matrix are to be documented and recorded in a structured format in each area where the risk is identified. The suggested format is provided below:

Risk Description / Register

1	Unique IOD of the Risk	Unique ID number of the risk for easy Identification
2	Name of Risk	Short description by which the risk may be Referred to
3	Nature/Category of Risk	Strategic/Business/Operational
4	Stakeholders / Processes	List of stakeholders affected and impact on their expectations
5	Probability of Risk	Likely hood of event occurring
6	Impact of Risk	Cost of impact, if risk materializes
7	Risk Score	Risk score assigned based on Impact and Probability
8	Risk Response & Control Mechanisms	Based on Risk Score, responses like Terminate, Treat, Transfer or Tolerate are Decided and then control mechanism are Chosen based on responses
9	Residual Risk Score	Based on control mechanism, risk reduces and residual risk score is measured
10	Strategy Development	Risk tolerance limits to be decided and Mechanism to be in place to keep residual risk scores below tolerance limits

The various risks that company is or can be exposed to be identified in the Risk Matrix.

6.3 Risk Estimation

In this process, the consequences of the risk occurrences have to be quantified to the maximum extent possible, using quantitative or qualitative techniques.

Process of risk quantification for company has to be qualitative, supported by quantitative impact analysis. To apply this approach, the chain of adverse consequences, which may occur in case the identified risk materializes, should be enlisted. For each of the chains of adverse consequences, the cost impact needs to be calculated and attributed to the particular risk. In such an exercise, actual cost impacts (like claims by contractor, loss of equipment value, etc.) as well as opportunity costs (like loss in realization of revenue, delay in commission of project etc.) must be captured to arrive at the total cost impact of materialization of the risk.

According to the adverse impact analysis for identified risks, an appropriate risk rating shall be determined for each risk identified as per the criteria below:

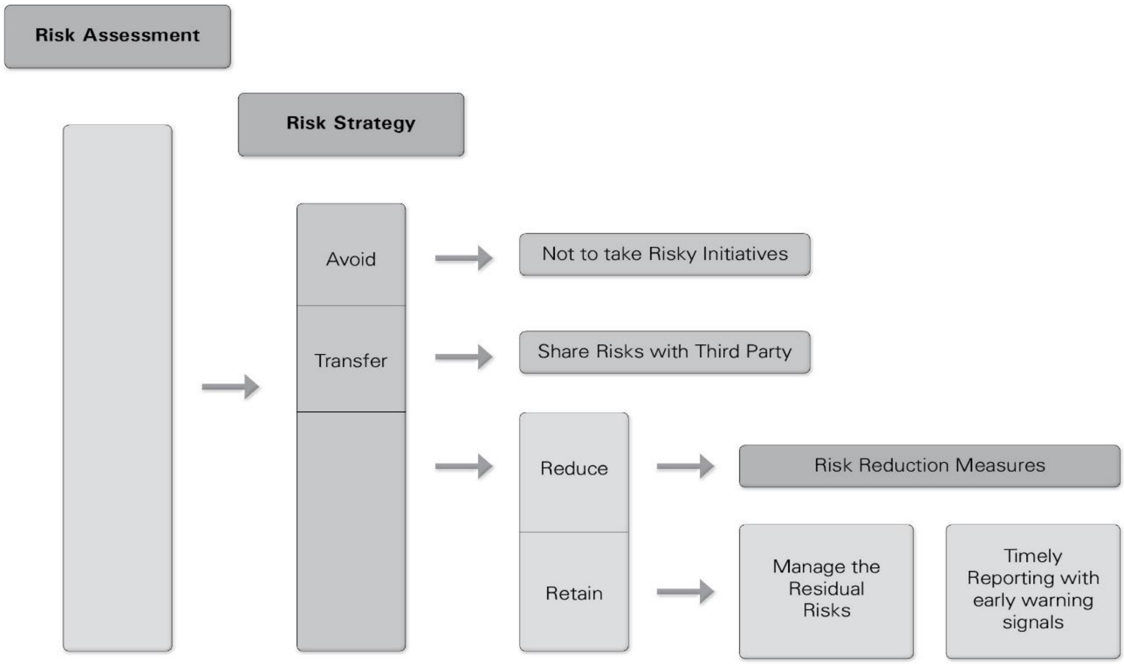
Consequences of Risk (Cost of Impact – Stakeholder or Strategic or Financial	
Rating 5 (Catastrophic)	• Significant stakeholder concern • Significant impact on strategy or operational Activities • Cost of impact is likely to exceed Rs.10 Crores p.a
Rating 4 (Major)	• Major stakeholder concern • Major impact on strategy or operational activities • Cost of impact is likely to be between Rs.5-10 Crores p.a.
Rating 3 (Moderate)	• Moderate stakeholder concern • Moderate impact on strategy or operational activities • Cost of impact is likely to be between Rs-1-5 Crores p.a.
Rating 2 (Minor)	• Minor stakeholder concern • Minor impact of Strategy or operational activities • Cost of impact is likely to be less than Rs.1,Crores p.a.
Rating 1 (Insignificant)	• No significant impact on the business • Cost of impact is likely to be less than 50 lacs p.a.

7 Risk Matrix

Each function shall fill in the risk matrix based on the nature of risks encountered by the respective functions, categorized into strategic, business and operational risks.

8. Risk Strategy

The following framework shall be used for the implementation of the Risk Strategy:



Based on the Risk Appetite / Risk Tolerance level determined and reviewed from time to time, the Company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The Risk mitigation can be planned using the following key strategies:

8.1 *Risk Termination:* By not performing an activity and 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.

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

8.3 *Risk Treatment:* Employing methods / solutions that reduce the severity of the loss.

8.4 *Risk Tolerance:* Accepting the loss when it occurs. Risk retention is a viable Strategy for small risk 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. This includes risks that are so large or catastrophic that they either cannot be insured against are the premium would not be feasible.

9. Responsibility for Risk Management

9.1 Financial Controller:

Financial controller is accountable for ensuring a risk management system is established, implemented and maintained in accordance with this policy. Assignment of responsibilities in relation to risk management is the prerogative of financial controller.

9.2 Risk Management Committee:

The Risk Management Committee of the Board will be accountable for the oversight of the processes for the identification and assessment of the general risk spectrum, reviewing the outcome of risk management processes, and for advising the Board as necessary.

The Risk Management Committee shall consist of minimum three members with majority of them being members of the board of directors, including at least one independent director. Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors.

The quorum necessary for transacting business at a meeting of the Risk Management Committee shall be either two members or one third of the members of the Committee, whichever is higher, including convening at least 2 meetings in a year which shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

This Risk Management Policy will be communicated to all concerned persons of the Company and shall be placed on the website of the Company at www.dynamatics.com

The Risk Management Committee shall have access to any internal information necessary to fulfill its oversight role. The Risk Management Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

9.3 Unit Heads:

Unit heads are accountable for strategic risk management within areas under their control including eh devolution of the risk management process to operational managers. Collectively, they are responsible for:

- Formal identification of strategies risks that impact upon DTL's mission.
- Allocation of priorities;
- Development of strategic risk management plan; and
- Review against risk management plans and communicate to the Audit Committee.
- Implementation of this policy within their respective areas of responsibility.
- Annual reporting, in so far as there is an impact on their respective responsibilities, as part of the annual planning and review cycle.
  Ensure compliance with this policy.

9.4 C F O:

In addition to the function as CFO, he will be accountable with regard to implementation of this policy and will ensure that a risk management plan is completed for each commercial venture. Advice will be sought, as required, from Internal Auditor on risk management issues in relation to these matters.

9.5 All employees:

Every employee of DTL is responsible for the effective management of risk including the identification of potential risk. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

There are legislations in place for specific risks such as Occupational Health and Safety. Payment of Wages, Payment of Taxation, Company Law etc., The Risk Management policy does not relieve the employees form their responsibility to comply with such legislations. On the other hand, it complements the legislations.

10. Approval of the Policy

The Board of Directors will be the approving authority for DTL's overall Risk Management System. The Board will, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto, on the recommendations from the Risk Management Committee, from time to time. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

11. Review of the Policy

The policy will the guiding document for risk management in DTL and will be reviewed as and when required due to the changes in the risk management regulations/ standards / best practices as appropriate. In any case, the policy will be regularly reviewed every financial year from the time of approval and adoption of the Policy.

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