

## **RISK MANAGEMENT POLICY**



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## **A. PREAMBLE**

This Risk Management Policy must be read in conjunction with the applicable provisions of laws/rules/ regulations/procedures, not limited to but including Companies Law(s) in all the countries Nucleus is having Business, SEBI Regulations/Guidelines, RBI circulars/Notifications etc.

## **B. POLICY OBJECTIVE**

At Nucleus Software Exports Ltd. (The Company), Enterprise Risk Management is a systematic and well-planned discipline to keep identifying the possible risks related to our business model, the linked exposures, qualitative prioritization of the risks and lay down the Mitigation processes and procedures to manage the emerging risks and ensure minimal impact to the organization.

Objective of this Risk Management Policy is to:

- Enable Organization for establishing the Enterprise Risk Management Framework
- Enable the Management to continuously identify, prioritize, manage and monitor risks with clear focus on minimising the probability of materialization of risk and minimize the risk exposure in the event of risk being materialized or triggered.
- Empower the Management /committee to take informed decisions, under guidance of Board of Directors of the Company (the Board), to take best possible decisions for risk management
- Ensure to maintain the highest possible confidence amongst the Company's stakeholders in the Executive Management of the organization and in the effectiveness of Enterprise Risk Management in the ever changing and dynamic business landscape and ensure that any risk trigger or materialization does not affect the planned strategic objectives.

## **C. Risk Management Group Structure**

“Enterprise Risk management in the Company shall be driven across the width and depth of the organization. The key components of Risk management structure in the Company are as follows:

**a) The Board**

- The Board shall appoint the Risk Management committee (the committee to have few board members too) and shall appoint the Chief Risk Officer, reporting into the CEO and working closely with Risk Management committee.
- Board should also do the periodic regular review of the Enterprise Risk Management Framework being worked and presented by Risk Management Committee and Chief Risk Officer
- Board should also help/provide support Risk Management committee to overcome any organizational challenges being faced in the ensuring effective risk management practices are followed across the organization
- Board should also review and approve the budgets and funds requisitions raised by Risk Management committee

**b) The Audit committee**

- Audit committee works as a subject matter expert group to identify the possible risks related to compliances & regulations and share these identified risks with Risk Management committee.
- Audit committee shall also share their guidance to develop the risk management plans for the identified and shared risks.
- Audit committee shall also review the risk management plan prepared by the Risk Management committee for the scope of Audit committee expertise and extended advices.

**c) The Risk Management committee (RMC)**

- Provides executive oversight to Company's Enterprise Risk Management Framework (ERMF), process, procedures and controls.
- Formulating a detailed risk management policy including the framework for identification of risks with a special focus to compliance, regulatory, cyber and info security, financial, operational, business continuity, and reputational risk; measures for risk mitigation; systems of internal control and business contingency plans.
- Oversee Company's process and policies for determining risk threshold / tolerance and review management's measurement and comparison of overall risk tolerance to established levels.
- Reviewing the Risk Management at the required frequency, considering the changing dynamics.

- Coordinate its activities with the Audit Committee in the instances of overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice)
- Keeping the Board informed about nature and content of discussions, recommendations and actions to be taken.
- Selecting, appointing, removing and finalizing the remuneration of the Chief Risk Officer (CRO), if any, subject to joint review with the Nomination and Remuneration/Compensation Committee.
- Nurture the culture of Proactive Risk Identification and Management as well environment of learnings and referred learnings.
- Reward the professionals and teams, which are proactive in risk identification and also exhibit creativity and innovation in managing the risks and related risk exposures effectively.
- Committee also develops creative thoughts and plans to shape the organizational maturity and behavior towards the risk management.

## **D. Chief Risk Officer / Manager**

- the CRO/CRM role requires significant capacity bandwidth to ensure that required responsibilities are discharged effectively and also comprehensively
- CRO/CRM and CFO may have, and justifiably too, very different outlooks, though not necessarily opposite, towards Risk Budget Management.

It has been noticed many times that many potential risks requiring very high budgeting, were deprioritized or faced budget cuts from CFO, also responsible for ERM, were eventually materialized, leading to much larger and challenging business impacts to organizations,

### **CRO/CRM responsibilities**

- Anchoring and Facilitating the development of Risk management plans
- Implement and drive RMC mandates
- Anchor to ensure the cross pollination of best risk management practices across various teams across the organization
- Nurture the culture of Proactive Risk Identification and Management as well environment of learnings and referred learnings.
- Preparing quarterly updates for Board/Audit Committee on top risks and their mitigation
- Working closely with owners of risk in deploying mitigation measures.
- Enable and guide to identify the secondary risks and detail out the plans for secondary risks

## **E. Risk Task forces**

RMC and CRO/CRM to work with BizOps team and the COT teams to form Outcome based and time based Risk Task Forces to detail out the risk management action plans spanning the risk management life cycle at the operational and executional levels.

## **F. Nucleites**

Similar to Process excellence discipline, Risk Management discipline becomes most effective when risk management though managed by executives, still becomes the mass movement.

All Nucleites shall adhere to the Risk Management Policy and procedures and implement the suggested risk mitigation actions. The overall participation in the Enterprise risk management increases from all the associates, where they are encouraged to Suggest/provide feedbacks for continuous enhancements in the Risk Management Framework in the Company and also identify / highlight the probable risks at the earliest.

## **G. Policy Review**

The Risk Management Committee in consultation with Board reserves right to amend or modify this Policy in whole or in part, as per applicable laws and regulations, at any time without assigning any reason whatsoever.