

DISA INDIA LIMITED

RISK MANAGEMENT POLICY

November 11, 2021

The Company has a Risk management Policy in place since 2018, which the Company seeks to amend in view of the mandatory requirements prescribed by The SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS [Hereinafter referred to as SEBI (LODR) Regulations], 2015 outlining measures for upholding the Corporate Governance standards.

SEBI (LODR) (Second Amendment) Regulations, 2021 required top 1,000 listed entities based on market capitalization to constitute a Risk Management Committee and the Roles and responsibility of Risk Management Committee include among other things, 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.*

In line with SEBI (LODR) Regulations, 2015 and section 134 of the Companies Act, 2013, the Company has established robust procedures for defining the company's risk strategy which includes risk identification, risk management and implementation of measures to reduce the impact of these risks.

Risk Management framework

As a leader in business, DISA India Limited serves customers in various industry segments. Company's Code of Business Conduct sets the tone and values of the organization. Each employee is encouraged to be open, candid and fact-based in discussing risk issues, making all relevant facts and information available, so the Company can consider all possible options and make informed decisions. Risks are inherent in all the business activities and can relate to strategic goals, business performance, compliance with laws and regulations, and those critical to environmental, social and governance (ESG) priorities. This document provides an overview of the DISA India's Enterprise Risk Management (ERM) Framework and illustrates examples of how this approach is implemented within the organization.

Company's risk management framework and the strategy encompasses the following elements:

1. Risk identification.
2. Risk assessment.
3. Risk management.
4. Implementation of measures to mitigate the impact of risks.
5. Risk reporting & monitoring.
6. Business Continuity Plan

Actions with regard to the risk management pervades to all the areas of operations of the Company, internal or external, including;

1. Product obsolescence
2. Product performance
3. People skill loss
4. Product piracy
5. IT Security
6. Operational
7. Financial
8. Financial reporting
9. Business Disruption
10. Impact of Covid-19/ Any other pandemic
11. Supply Chain disruptions
12. Plant Expansion

Policies & Procedures and Audits:

The Company operates under the umbrella of various local & global policies, practices, identified key controls, schedule of authority, review at the level of Audit Committee, Board and Shareholders as may be required.

Company's operations, reporting of financial results, approvals, statutory compliances, disclosures etc. are subject to quarterly, half yearly and yearly audits by the Internal Auditors, Statutory Auditors, Secretarial Auditors & other external agencies/statutory authorities like Goods & Service Tax authorities, Income Tax authorities etc.

Reviews/Approvals:

As per the parameters set by the Company and the Group, risk related matters are discussed and reviewed by the Audit Committee and the Board on quarterly basis and approvals will be given, wherever required.

Mitigation Strategy:

1. Assume and accept risk.
2. Avoidance of risk.
3. Controlling the risk.
4. Transfer of risk.
5. Watch and monitor of risk.

Important risks identified by the Company

While risks cannot be entirely avoided, the management has placed measures to manage them effectively in line with regulations, Company's objectives and values. In the current economic scenario, managing risks has become more challenging. However, in line with this policy, steps have been taken to address the *nature of all identifiable risks applicable to the Company* and the methods employed by the Company to address them.

The Risk Management Policy of the company is intended:

- to serve as a document wherein risks affecting the entire organization, at a macro-level are enumerated.
- to describe the measures employed by the management in managing these risks across all divisions and functions.

Important Risks that may have a significant impact on the business, if ignored have been identified by the Company. These risks are determined based on detailed analysis of the markets where the Company operates, nature of products and services rendered, and risks inherent in various functions. Following are the important risks identified by the Company:

1. Product obsolescence

The Company is operating in a high technology area and the major risk associated with this is the risk of "obsolescence". To mitigate this risk, Company has constantly engaged in innovation and up-gradation through new product Development on regular basis.

The Company works closely with product centric technology center for excellence and absorb new technology on continuous basis. The Company has continuously introduced products into the market to beat the product obsolescence to be relevant to the market and our Customers.

2. Product Performance

The suitability of products for designated Customer needs are identified at the initial stage of technical evaluation. Still the process requirements and real-life conditions in the manufacturing environment pose performance risk.

To mitigate these risks, Company has in place a defined a "Risk Assessment" process, being undertaken before the order is accepted involving detailed discussion with the functional teams concerned.

The involvement of the functional team depends upon the type risk envisaged like Engineering Design hours, new application areas etc.

3. People Skill Loss

This industry largely depends upon years of skills accumulated over a period of time. The loss of skill due to any reason is a considerable Risk for the entity.

The Company has a well-defined succession planning and robust training need evaluation and implementation schedule. This is driven by making this as part of the KRA of the functional Heads.

At another level, this risk is mitigated by ensuring that the Key people are motivated through right market level compensation and intellectually engaging assignments on an ongoing basis.

The progress is evaluated in the Management review meeting on a quarterly basis.

4. Product Piracy (IP loss/Data Security)

The Company's products are manufactured under technology arrangement with the promoter group. The IP and design ownership is core to the business success.

The risk associated with this is proliferation of pirated parts in the market and design copying.

The Company is ever vigilant in this regard and continue to protect its IP through its NDAs with employees and Vendors.

There is a strict IT control in place to monitor un-authorized copying and towards this end hardware controls are also enabled restricting copying and transferring data to unauthorized sources.

5. IT Security

The Company is part of global network of Norican Group and there is ever increasing risk of Data security.

This risk is closely monitored by the IT group on a continuous basis through IT control systems implemented at Global level.

6. Operational Risk

The business environment in which the Company is operating is dynamic and complex. As a result, Company is exposed to various economic risks such as **raw material price fluctuation, supply chain disruptions**, delay in clearance of imported materials from customs, delay in processing the materials due to strikes/lockouts, supply chain disruptions due to lockdowns & price movements.

The operational risks are closely monitored by the Company during monthly review meetings.

7. Financial Risk

Financial risks range from drop in product margins, working capital mismatches, inability to meet the financial commitments etc.

The Company has so far succeeded in warding off financial risks through periodic monitoring of the margins and proactive measures to improve the same and approval of financial commitments through approval matrix.

8. Financial Reporting

Financial reporting risks encompass misstatement of accounts, errors and frauds, suppression of material facts etc.

Robust internal control mechanism, segregation of duties and periodical verifications/audits by external agencies has helped the Company to mitigate this risk.

The Company operates under the umbrella of various local & global policies, practices, identified key controls, schedule of authority, review at the level of Audit Committee, Board and Shareholders as may be required.

Company's operations, reporting of financial results, approvals, statutory compliances, disclosures etc. are subject to quarterly, half yearly and yearly audits by the Internal Auditors, Statutory Auditors, Secretarial Auditors & other external agencies/statutory authorities like Goods & Service Tax authorities, Income Tax authorities etc.

As per the parameters set by the Company and the Group, risk related matters are discussed and reviewed by the Audit Committee and the Board on quarterly basis and approvals will be given, wherever required.

9. Business Disruption

Business disruptions could happen due to variety of factors i.e., change in technology, obsolescence, competition, non-availability of skilled manpower, disruptions due to pandemic situations, regulatory changes leading to sharp decline in revenue. Covid-19 pandemic has disrupted the economy and the business environment across the globe.

Proactive actions by the company leadership, both at local and global level has helped the Company in avoiding major business disruptions.

Risk Mitigation Strategy followed by the Company work on the following principles:

- (a) Assume and accept risk.
- (b) Avoidance of risk.
- (c) Controlling the risk.
- (d) Transfer of risk.
- (e) Watch and monitoring of risk.

Business Continuity Plan

It is imperative to define Business Continuity Plans (BCP) for high impact and high velocity risks to enable rapid response to address the consequence of such risks, if they materialize. Business Continuity Planning of DIL has been embedded in the Internal Control framework for areas like manufacturing, sales offices, information technology function, etc. The local management shall be responsible for laying out crisis response mechanism, communication protocols, and periodic

training and competency building on crisis management. The local management shall also conduct periodical review of BCP to ensure that the organization is prepared to manage any crisis event quickly for business continuity. The local management shall also conduct periodical disaster recovery mock drills to ensure that the organization is prepared to manage any crisis event quickly for business continuity.

The Roles & Responsibilities of the of the Committee

The roles and responsibilities of the Risk Management Committee shall 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.**
- (2) To ensure that **appropriate methodology, processes** and systems are in place to monitor and evaluate risks associated with the business of the Company.
- (3) To monitor and **oversee implementation of the risk management policy**, including evaluating the adequacy of risk management systems.
- (4) To **periodically review the risk management policy**, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- (5) To keep the **Board of Directors informed** about the nature and content of its discussions, recommendations and actions to be taken.
- (6) The **appointment, removal and terms of remuneration of the Chief Risk Officer** (if any) shall be subject to review by the Risk Management Committee.

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Managing Director
DISA India Limited