RISK ASSESSMENT AND MANAGEMENT POLICY

1. PREAMBLE

Pursuant to Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Section 134(3) of the Companies Act, 2013, this Risk Assessment and Management Policy ("Policy") establishes the philosophy of "Cogent E-Services Limited", towards risk identification, analysis and prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company. This Policy is applicable to all the functions, departments and geographical locations of the Company. The purpose of this Policy is to define, design and implement a risk management framework across the Company to identify, assess, manage and monitor risks. Aligned to this purpose is to identify potential events that may affect the Company and manage the risk within the risk appetite and provide reasonable assurance regarding the achievement of the Company's objectives. This will present a wide approach to ensure that key aspects of risk that have a wide impact are considered in its conduct of business.

Risk: Risk is an event which can prevent, hinder or fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

Accordingly, the board of directors of Company ("Board") has adopted this Policy at its meeting held on January 13, 2022 which can be amended from time to time.

2. OBJECTIVE

The purpose of the Risk Assessment and Management Policy is to institutionalize a formal risk management function and framework in the Company. The objective of this Policy is to manage the risks involved in all activities of the Company, to maximize opportunities and minimize adversity. This Policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives. The objectives of the Policy can be summarized as follows:

(a) To safeguard the Company's and its subsidiaries'/ joint ventures' property, interests, and interest of all stakeholders;

(b) To manage risks with an institutionalized framework and consistently achieving desired outcomes;

(c) To protect and enhance the corporate governance;

(d) To implement a process to identify potential / emerging risks;

(e) To implement appropriate risk management initiatives, controls, incident monitoring, reviews and continuous improvement initiatives;

(f) Minimize undesirable outcomes arising out of potential risks; and

(g) To align and integrate views of risk across the enterprise.

3. COMPONENTS OF A SOUND RISK MANAGEMENT SYSTEM

The risk management system in the Company should have the following key features:

(a) Active board of directors, committee and senior management oversight;

(b) Appropriate policies, procedures and limits;

(c) Comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks;

(d) Appropriate management information systems at the business level;

(e) Comprehensive internal controls in accordance with current regulations; and

(f) A risk culture and communication framework

4. ROLE OF BOARD:

The Board of Directors ("**Board**") of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy. Risk Management being one of the key functions of Board where responsibility is cast upon the Board to:

- review and guide Risk Policy
- ensure that appropriate systems of control are in place, in particular, systems for risk management
- ensure that, while rightly encouraging positive thinking, it does not result in over optimism that either leads to significant risks not being recognized or exposes the company to excessive risk.
- have ability to 'step back' to assist executive management by challenging the assumptions underlying risk appetite.

The Board and the management of the Company will take a pro-active approach to risk management, ensuring that a Company-wide system is in place which addresses all material, internal and external risk factors facing the Company, which include:

(a) Financial;
(b) Legal and Regulatory;
(c) Operational;
(d) Sectoral;
(e) Information and Cyber Security; and
(f) Commercial risks, including risks related to sustainability (Health, Safety and Environment).

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in the assessment of risk factors and perception of risk mitigation measures. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

The continued successful safeguarding, maintenance and expansion of the Company's businesses requires a comprehensive approach to risk management. It is the policy of the Company to identify, assess, control and monitor all risks that the business may incur, to ensure that the risks are appropriate in relation to the scale and for the benefit of the associated project, business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand, reputation or the existence of the Company.

Fundamental values of the Company include respect for its employees, customers and shareholders and integrity in all its operations and activities. By acknowledging that risk and control are part of everyone's job, and by incorporating risk management into the Company's daily business practices, the Company will be better equipped to achieve strategic objectives, whilst maintaining the highest ethical standards.

5. RISK GOVERNANCE

An organization's ability to conduct effective risk management is dependent upon having an appropriate risk governance structure and well-defined roles and responsibilities. Risk governance signifies the way the business and affairs of an entity are directed and managed by its Board and executive management.

6. RISK MANAGEMENT FRAMEWORK

The Board shall periodically review the risk assessment and management policy of the Company and evaluate the risk management systems so that management controls the risk through a properly defined network.

Heads of departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

7. RISK MANAGEMENT PROCESS

Conscious that no entrepreneurial activity can be undertaken without assumption of risks and associated profit opportunities, the Company operates on a risk management process /framework aimed at minimization of identifiable risks after evaluation so as to enable management to take informed decisions.

Broad outline of the framework is as follows:

a) Risk Identification: Management identifies potential events that may positively or negatively affect the Company's ability to implement its strategy and achieve its objectives and performance goals. Potentially, negative events represent risks and are assigned a unique identifier. The identification process is carried out in such a way that an expansive risk identification covering operations and support functions are put together and dealt with.

Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

(i) Internal risks including:

- Strategic Risk: Competition, inadequate capacity, high dependence on a single customer/vendor.
- Business Risk: Project viability, process risk, technology obsolescence/ changes, development of alternative products.
- Finance Risk: Liquidity, credit, currency fluctuation.
- Environment Risk: Non-compliances to environmental regulations, risk of health to people at

large.

- Personnel Risk: Health & safety, high attrition rate, incompetence.
- Operational Risk: Process bottlenecks, non-adherence to process parameters/ pre-defined rules.
- Reputation Risk: Brand impairment, product liabilities.
- Regulatory Risk: Non-compliance to statutes, change of regulations.
- Technology Risk: Innovation and obsolescence.
- Information and Cyber Security Risk: Cyber security related threats and attacks.

(ii) External risks including:

- Sectoral Risk: Unfavorable consumer behavior in relation to the relevant sector etc.
- Sustainability Risk: Environmental, social and governance relates risks.
- Political Risk: Changes in the political environment, regulation/ deregulation due to changes in political environment.]

b) **Root Cause Analysis:** Undertaken on a consultative basis, root cause analysis enables tracing the reasons / drivers for existence of a risk element and helps developing appropriate mitigation action

c) **Risk Scoring:** Management considers qualitative and quantitative methods to evaluate the likelihood and impact of identified risk elements. Likelihood of occurrence of a risk element within a finite time is scored based on polled opinion or from analysis of event logs drawn from the past. Impact is measured based on a risk element's potential impact on cost, revenue, profit etc. should the risk element materialize. The composite score of impact and likelihood are tabulated in an orderly fashion and the table is known as a 'Risk Register'. The Company has assigned quantifiable values to each risk element based on the "impact" and "likelihood" of the occurrence of the risk on a scale of 1 to 3 as follows.

Impact	Score	Likelihood
Minor	1	Low
Moderate	2	Medium
Significant	3	High

The resultant "action required" is derived based on the combined effect of impact & likelihood and is quantified as per the summary below.

d) **Risk Categorization:**
The identified risks are further grouped in to (a) preventable; (b) strategic; and (c) external categories to homogenize risks.

(i) Preventable risks are largely internal to the Company and are operational in nature. The endeavor is to reduce /eliminate the events in this category as they are controllable. Standard operating procedures and audit plans are relied upon to monitor and control such internal operational risks that are preventable.

(ii) Strategy risks are voluntarily assumed risks by the senior management in order to generate superior returns/market share from its strategy. Approaches to strategy risk is 'accept'/ 'share', backed by a risk-management system designed to reduce the probability that the assumed risks actually materialize and to improve the Company's ability to manage or contain the risk events should they occur.

(iii) External risks arise from events beyond organization's influence or control. They generally arise from natural and political disasters and major macroeconomic shifts. Management regularly endeavors to focus on their identification and impact mitigation through 'avoid'/ 'reduce' approach that includes measures like business continuity plan / disaster recovery management plan / specific loss insurance / policy advocacy etc.

e) **Risk Prioritization:**
Based on the composite scores, risks are prioritized for mitigation actions and reporting

f) **Risk Monitoring**
is designed to assess on an ongoing basis, the functioning of risk management components and the quality of performance over time. Staff members are encouraged to carry out assessments throughout the year.

g) **Risk Mitigation Plan:**
Management develops appropriate responsive action on review of various alternatives, costs and benefits, with a view to managing identified risks and limiting the impact to tolerance level. Risk mitigation plan drives policy development as regards risk ownership, control environment timelines, standard operating procedure, etc.

Risk mitigation plan is the core of effective risk management. The mitigation plan covers:

(i) Required action(s);

(ii) Required resources;

(iii) Responsibilities;

(iv) Timing;

(v) Performance measures; and

(vi) Reporting and monitoring requirements

The mitigation plan also covers (i) preventive controls - responses to stop undesirable transactions, events, errors or incidents occurring; (ii) detective controls - responses to promptly reveal undesirable transactions, events, errors or incidents so that appropriate action can be taken; (iii) corrective controls - responses to reduce the consequences or damage arising from crystallization of a significant incident.

Therefore, it is drawn with adequate precision and specificity to manage identified risks in terms of documented approach (accept, avoid, reduce, share) towards the risks with specific responsibility assigned for management of the risk events.

h) **Risk Reporting:**
Periodically, key risks are reported to the Board with causes and mitigation actions undertaken/ proposed to be undertaken.

The internal auditor carries out reviews of the various systems of the Company using a risk based audit methodology. The internal auditor is charged with the responsibility for completing the agreed program of independent reviews of the major risk areas and is responsible to the audit committee which reviews the report of the internal auditors on a quarterly basis.

The statutory auditors carry out reviews of the Company's internal control systems to obtain reasonable assurance to state whether an adequate internal financial controls system was maintained and whether such internal financial controls system operated effectively in the company in all material respects with respect to financial reporting.

On regular periodic basis, the Board will, on the advice of the audit committee, receive the certification provided by the CEO and the CFO, on the effectiveness, in all material respects, of the risk management and internal control system in relation to material business risks.

The Board shall include a statement indicating development and implementation of a risk assessment and management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

8. RESPONSIBILITY FOR RISK MANAGEMENT

Responsibility holder	Responsibilities
Board	The Company's risk management architecture is overseen by the Board and the policies to manage risks are approved by the Board. Its role includes the following: • Ensure that the organization has proper risk management framework • Define the risk strategy, key areas of focus and risk appetite for the company • Approve various risk management policies including the code of conduct and ethics • Ensure that senior management takes necessary steps to identify, measure, monitor and control these risks
Audit Committee	The Audit Committee assists the Board in carrying out its oversight responsibilities relating to the Company's (a) financial reporting process and disclosure of financial information in financial statements and other reporting practices, b) internal control, and c) compliance with laws, regulations, and ethics (d) financial and risk management policies. Its role includes the following: • Setting policies on internal control based on the organization's risk profile, its ability to manage the risks identified and the cost/ benefit of related controls; • Seeking regular assurance that the system of internal control is effective in managing risks in accordance with the Board's policies. • Ensure that senior management monitors the effectiveness of internal control system • Help in identifying risk, assessing the risk, policies / guidance notes to respond its risks and thereafter frame policies for control and monitoring.

9. BUSINESS CONTINUITY PLAN

Business continuity system is one of the most important components of the organization, which makes it possible to avoid and prevent the risks of business interruptions, maintain and enhance Cogent's image among its consumers, business partners, and public officials ("Parties Concerned"), strengthen confidence in Cogent and improve loyalty.

Business Continuity System is a strategic approach that involves the development of a response to safeguard the entire business by managing the impact of a business disruption to achieve the company's business objectives, irrespective of the cause of the disruption.

The Business Continuity System Procedure sets out common principles for strategic Business Continuity Management to be applied on Cogent.

The management teams of the business areas, divisions, functions and entities shall be aware of major risks for the business and ensure that they have an appropriate level of business continuity preparedness to identify, analyze and quantify the potential business impact and develop and implement continuity strategies within their respective organization.

<u>Business Continuity System Process</u>

10. COMMUNICATION AND CONSULTATION

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

11. ROLE OF RISK MANAGEMENT COMMITTEE

The role of the Committee shall, *inter alia*, include the following:

i. To monitor and oversee implementation of this risk management policy, including evaluating the adequacy of risk management systems;
ii. To periodically review the policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
iii. To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken; and

iv. To co-ordinate 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.

12. CONTINUOUS IMPROVEMENT

The Company's risk management system is always evolving. It is an ongoing process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstances.

In the event of any conflict between the Companies Act, 2013 or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the Regulations shall prevail over this Policy. Any subsequent amendment/modification in the SEBI Listing Regulations, in this regard shall automatically apply to this policy.

13. DISCLAIMER CLAUSE

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

14. PERIODICAL REVIEW OF EFFECTIVENESS

Effectiveness of risk management framework is ensured through periodical review of this Policy, provided that such review should be undertaken at least once in two years. As the risk exposure of any business may undergo change from time to time due to the changing industry dynamics, evolving complexity and continuously changing environment, the updation and review of this Policy will be done as and when required, by the Board to ensure it meets the requirements of legislation and the needs of organization.

In the event of any conflict between the Companies Act, 2013 or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the Regulations shall prevail over this Policy. Any subsequent amendment/modification in the SEBI Listing Regulations, in this regard shall automatically apply to this policy.

15. APPROVAL OF THE POLICY

The Board will be the approving authority for the Company's overall risk management system. The Board will, therefore, approve this Policy and any amendments thereto from time to time.