RISK MANAGEMENT POLICY

Version Control

Sl. No.	Approving Authority	Date of Approval / Amendment
1.	Board of Directors	13th October, 2021
2.	Board of Directors	25th March, 2022

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<u>Objectives of the Risk Management Policy:</u>

Delhivery Limited ('**the Company**') understands that every business has certain inherent risks, which cannot be eliminated completely but can be mitigated to a certain extent if identified on time and treated appropriately. This will involve reviewing operations of the organization, identifying potential risks to the organization, assessing their impact and the likelihood of its occurrence, and then taking appropriate actions to address the most likely risks by implementing the management techniques, measuring the ongoing effectiveness of management and taking appropriate corrective action.

The risk management policy aims to achieve the below objectives -

- support the company in achieving its vision and ensuring sustainable business growth
- enable compliance with applicable regulations
- anticipate and respond to the changing external environment conditions
- enable employees to identify and respond to risks effectively

1. **Regulatory requirements and role of various authorities:**

<u>The Board of Directors ("the Board")</u>

As per the provisions of the Companies Act, 2013 (the Act), the Board of Directors in their report to the shareholders must 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 existence of the Company [Section 134 (3) (n) of the Act] and periodical review thereof.

Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations"), requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company. Regulation 21 of the Listing Regulations requires top 1000 listed entities to constitute a Risk Management Committee.

The Audit Committee

The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall, inter-alia, include evaluation of risk management systems [Section 177 (4) (vii) of the Act].

Independent Directors

As per Section 149 of the Act, the Independent Directors

- shall 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;
- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

2. Risk Management Framework

Risk Management is the process of assessing risk, taking steps to reduce risk to an acceptable level and maintain that level of risk.

The Risk Management Framework at the Company comprises the following 2 elements:

- **Risk Management process** that helps identify, assess, prioritize, manage and monitor risks in the Company; and
- **Risk Management structure** i.e. the roles and responsibilities for implementing the risk management programme.

Risk Management Process

Whether risks are external/ internal to the Company, or can/ cannot be directly influenced/ managed, they need to be addressed by a common set of processes through the Risk Management process. This process is scheduled to be performed:

- Annually along with the business planning exercise.
- At the time of significant changes in internal business conduct or external business environment.
- When the business seeks to undertake a non-routine transaction (such as an acquisition, entering into a new line of business etc.).

I. Risk Identification

Each business/ function is responsible for periodic identification of risks, and may do so based on internal brainstorming, industry research/ surveys, scanning the external environment, inputs from Annual Operating Plans and audit reports.

Risks may be classified into broad categories below -

Strategic	Risks that impact achievement of the company's vision and goals
Reputational	Risks that adversely impact the reputation of the company among its stakeholders (customers, investors, employees, suppliers and regulators) due to actions of the company, its employees or its partners
Financial	Risks that impact financial performance and profitability of the company, and impair its assets
Operational	Risks that affect the efficiency and effectiveness of operations or are disruptive to operations
Compliance/ Regulatory	Risks that affect adherence to applicable laws and regulations
IT & Cyber Security	Risks that affect how we collect, store and use personal and business sensitive information; risks that affect integrity of data, and impact system capability and reliability

II. <u>Risk Assessment</u>

Risk Assessment will be conducted using a risk matrix for likelihood and Impact, taking the existing controls into consideration, and prioritizing the risks. Risk events assessed as **"high risk" or "medium risk"** criticality will go into risk mitigation planning and implementation, and may be reviewed periodically; low risk events will be tracked and monitored on a watch list.

We will measure risk impact in terms of financial and non-financial parameters, as defined below.

Impact Category	**Financial Impact as % of previous FY revenue**	**Non-Financial/ Qualitative Impact**
High	>10%	Significant/ sustained impact on business continuity, market share, reputation; criminal liabilities and stringent penalties
Medium	5-10%	Moderate/ short term impact on business continuity, market share, reputation; high financial penalties
Low	<5%	Limited or insignificant impact on business continuity, market share, reputation; low or no financial penalty

We will measure Risk Likelihood by probability of occurrence of risk event, as classified below –

Likelihood Category	**Probability %**	**Description**
High/ Likely	>80%	Will undoubtedly happen, and occur frequently/ routinely (within the next 12-36 months)
Medium/ Possible	40-80%	Probable/ likely to happen, sometime in the near future (in the next 3-5 years)
Low/ Unlikely	<40%	Less probable, and likely to happen sometime in the long term (in the next 5-10 years)

Based on the impact and likelihood, we will plot the different risk categories on the Risk Assessment Matrix as below –

Likelihood	High/ Likely	Medium Risk	High Risk	High Risk
	Medium/ Possible	Low Risk	Medium Risk	High Risk
	Low/ Unlikely	Low Risk	Low Risk	Medium Risk
		Low	Medium	High
		Impact		

III. <u>Risk Treatment</u>

Risk treatment involves selecting and implementing actions to manage risks, after evaluating the cost-benefit analysis of such actions. For risk events assessed as ‘high risk’, we will formally define risk ownership, mitigation activities, responsibilities, and milestones. Action plans will be recorded in a risk register along with the timelines for implementation.

Each business/ functional head will be responsible for implementing the risk mitigation plan for relevant risks identified in their area of operation. Mitigation involves design and implementation of activities that help manage risks to an acceptable level.

IV. <u>Risk Monitoring and Reporting</u>

The Risk Owners will track the status of mitigation plans for key risks, and review the status of mitigation of ‘high risk’ events with the Executive Committee on a quarterly basis. Risk owners will also be responsible for coordinating with the Risk Management Committee to review the status of mitigation plans of 'high risk' events at least twice a year. Similarly, the Risk Management Committee will submit necessary reports to the Audit Committee and Board of Directors as per this Policy.

<u>Risk Management structure</u>

The roles and responsibilities for implementing the Risk Management process are as follows:

I. <u>Monitoring</u>

The Board of Directors has the responsibility for overseeing that the Company has put in place a suitable framework for managing risks and this framework has been effectively deployed by the Risk Owners and the Executive Committee. The Board of Directors has delegated the task of overseeing the deployment of the Risk Management Framework to the Audit Committee and the Risk Management Committee.

II. <u>Evaluation</u>

The Audit Committee is responsible for evaluating the effectiveness of Risk Management programme. Key responsibilities of the Audit Committee are to:

- Provide guidance to the Risk Management Committee
- Evaluate the operation and effectiveness of the Risk Management programme; and
- Submit annual report on risk management framework to the Board of Directors.

III. <u>Execution & Implementation</u>

Following shall be responsible for execution and implementation of the Risk Management Framework of the Company

i. <u>Risk Management Committee of the Board</u>

Pursuant to the provisions of Regulation 21 of the Listing Regulations, the Board of Directors shall constitute a Risk Committee comprising of Directors and Management team

The roles and responsibilities of the Risk Management Committee are as follows:

- Formulation of 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 Risk Management Committee; (b) measures for risk mitigation including systems and processes for internal control of identified risks; and (c) business continuity plan;
- Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- Periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity, and recommend for any amendment or modification thereof, as necessary;
- To implement and monitor policies and/or processes for ensuring cyber security;

- Review the appointment, removal and terms of remuneration of the Chief Risk Officer or equivalent.
- Present to Audit Committee, half-yearly and annual risk assessment report and to Board, an annual report on status of risk management framework.
- Any other similar or other functions as may be laid down by Board from time to time

ii. *Executive Committee*

The Executive Committee comprising the CFO, COO, CTO and any other member as applicable shall be accountable to design and implement the risk management processes with the Risk Owners. They shall ensure implementation of the Risk Management Policy, and support risk owners in categorizing and prioritizing risks, defining the appropriate mitigation strategies and periodically reviewing the mitigation plan status.

iii. Chief Risk Officer/ Head of Risk

The CRO/ Head of Risk shall be responsible for ensuring that risk management processes as defined in the policy are executed and for coordinating with the various risk owners to deliver a consolidated view to the Executive Committee and the RMC. The CRO would also be responsible for conducting internal risk review meetings, maintaining risk registers and risk management policy, and suggesting best practices for strengthening the risk management process.

iv. *Risk Owners*

The Business/Functional Heads will assume ownership for identifying/ managing/ mitigating specific business, technological and other operational risks in their areas. Risk Owners shall perform the following function:

- Responsible for overall implementation of Risk Management Process
- Risk identification and prioritization exercise on an annual basis including but not limited to identification of new risk.
- Design, document and implement risk mitigation plans and strategies.
- Provide a report on the effectiveness/stage of implementation of the mitigation plan to the Executive Committee and Risk Management Committee.
- Such other functions may be assigned to them from time to time.

Risk Management activity / Meeting Calendar

Authority	**Frequency**
Board of Directors	Annual
Audit Committee	Half-Yearly
Risk Management Committee	Half-Yearly
Executive Committee	Quarterly
Risk Owners	At least Quarterly or before that, If required

3. Business Continuity Plan (BCP)

Business continuity plans will be defined for High risk events to enable rapid response, and for protection of people and assets, in the event such risks materialize. Business Continuity Planning shall also be defined for critical facilities, technology function, etc. The risk owners will be responsible for laying out the crisis response mechanism, communication protocols, and conducting periodic training to ensure preparedness for business continuity.

4. Limitation

The Risk Management Framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgements in decision-making and violations of legislation and regulations.

5. Policy Revision

Risks are ever changing in the business environment and there is a need to periodically re-visit the approach towards Risk Management. Accordingly, this policy shall be reviewed periodically by the Risk Management Committee but at least once in two years. The Board shall be empowered to make amendments/ revision to this Policy as and when required.

This Policy will be communicated to all business/functional heads and other concerned persons of the Company.