

Risk Assessment and Management Policy



Commercial SOP #: SVL-SEC-SEC-002-03

Version: 03

Reviewed On: 10-July-2023

Effective From: 01-April-2022



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1. Introduction

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 Sula Vineyards Limited ("Company"), towards risk identification, analysis and prioritization of risks, development of risk mitigation plans and reporting on the risk environment 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.

Accordingly, the board of directors of the Company ("Board") has adopted this policy at its meeting held on February 23, 2022. The Policy shall come into force with effect from the date the SEBI Listing Regulations takes effect with respect to the Company.

2. Scope

This Policy is applicable to all the functions, departments and geographical locations of the Company.

3. Definition

Risk is an event which can prevent, hinder or fail to further or otherwise obstruct the enterprise in achieving its objectives. It is a threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives.

4. Objectives

The objective of this policy is to establish the risk management framework. This policy sets out the processes that will minimize potential losses and improve management thereby helping the Company to achieve its objectives.

The policy also intends to fulfil the requirements set out in the Companies Act, 2013 and Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

5. Risk Governance

Risk governance signifies the way the business and affairs of an entity are directed and managed by its Board and executive management. The Company can conduct risk management effectively by having an appropriate risk governance structure and well-defined roles and responsibilities.

6. 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 to enable management to take informed decisions. If deemed fit by the Management, the Company may engage reputable third parties to perform certain functions and support the Company in the risk management process, from time to time.

Broad outline of the framework is as follows:

(a) Risk Identification: Management identifies areas that may positively or negatively affect the Company's ability to implement its strategy and achieve its objectives and performance goals. The identification process is carried out in such a way that an expansive risk identification covering operations and support functions is put together and dealt with. Risks can be identified under the following broad categories:

- **Strategic Risk:** Strategic risk is the risk of potential failures in strategic planning, which may lead to a company not achieving its core objectives e.g. competition, inadequate capacity, high dependence on a single customer/vendor.
- **Finance Risk:** any potential threat that hampers financial growth and a company's profitability e.g. Liquidity, credit, currency fluctuation, etc.
- **Environmental, Social, Governance (ESG) Risk:** Potential to cause reputational / financial harm to the company.
- **Personnel Risk:** Potential risks that employees pose to the business e.g. Health & safety, high attrition rate, incompetence.
- **Operational Risk:** The uncertainties and hazards a company faces when it attempts to do its day-to-day business activities e.g. non-adherence to process parameters.
- **Reputation Risk:** Threat or danger to the good name of the organisation ie. brand impairment, product liabilities, etc.
- **Regulatory Risk:** Potential changes in law or non-compliances.
- **Technology Risk:** Potential of technology failure / obsolescence of technology which can impact business e.g. Cyber security related threats and attacks.
- **Legal Risk:** Potential losses arising from an unintentional or negligent failure to meet a professional (legal) obligation

(b) Risk Assessment: Is the process of calculating a score which helps assess severity of the risk. The methodology involves assessment of the risks based on the likelihood and impact of risk occurrence where the likelihood is "the probability that a given event will occur" and impact is "the result, effect, or consequences of an event." The combination of these elements is an assessment of the severity of the risk.

Assessment of the risk events is both quantitative and qualitative. The matrix to be used for classifying the risks is given in Annexure A. After finalizing the impact and likelihood rating, the inherent risk rating is calculated using the formula:

Inherent Risk Exposure = Impact X Likelihood

The residual risk assessment of the identified risk to be undertaken based on the existing controls and their effectiveness and efficiency. The same matrix as given in Annexures B to be considered.

After finalizing the impact and likelihood rating, the residual risk rating is calculated using the formula:

Residual Risk Exposure = Impact X Likelihood

(c) Risk Treatment

Risk treatment involves selecting one or more options for addressing the risks and implementing those options. Risk treatment involves a process of:

- Assessing the risks;
- Deciding whether residual risk levels are within the defined tolerance levels;
- If not tolerable, generating a new risk treatment; and
- Assessing the effectiveness of that treatment.

Risk treatment options are as follows:

- **Avoid** – Risk avoidance involves taking the decision not to engage in any event that may result in the risk.
- **Transfer** – Risk transfer involves shifting the impact of a risk and the ownership of the risk response to a third party.
- **Mitigate** – Risk mitigation reduces the probability or impact of a potential risk even to an acceptable level.
- **Adapt/Accept** – Involves accepting the loss, or benefit of gain, from a risk when it occurs.

(d) 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 levels. Risk mitigation plan is the core of effective risk management. The mitigation plan covers:

- Action Plan;
- Responsibility;
- Target Date;
- Required resources.

(e) Risk Scoring:

Prioritise the risks based on the risk exposure scores as follows:

Name of Risks	Description	Residual Risk score
Controlled	Represents minor control weaknesses, which require limited monitoring.	1-5
Serious	Represents moderate control weaknesses, which require further active monitoring.	6-10
Disruptive	Represents moderate control weaknesses, which require investigation	11-15
Severe	Represents critical control weaknesses requiring rapid action to mitigate business process vulnerabilities	16-20
Critical	Represents critical control weaknesses, which is a crucial priority	21-25

(f) Risk Reporting:

The Risk assessment shall be presented to the Risk Committee at least on a six-monthly basis. The Risk owners shall review the risks on a quarterly basis.

7. Risk Appetite & Risk Tolerance

a) **Risk appetite** is the amount and type of risk that the Company is prepared to pursue, retain and take. The Company shall not take risks which shall result in the breach of its appetite. To help decide on the risks which shall be accepted or not, the following risk appetite scale has been defined:

- **Low Appetite**

Areas in which the Company shall eliminate risks or minimize the risks because the downside costs are intolerable.

- **Medium Appetite**

Areas in which the Company shall constantly strike a balance between the potential upside benefits and potential downside costs of a risk.

- **High Appetite**

Areas in which the Company has preference for disciplined risk taking since it has been determined that the benefits outweigh the costs.

b) **Risk tolerance** is the level of risk an organization is willing to tolerate in order to achieve its objectives. It is the maximum amount of tolerable deviation from the risk appetite and is therefore used to monitor risk exposure in comparison with the stated risk appetite.

The Company has defined its risk appetite and risk tolerance as mentioned in the table below:

RISK CATEGORY	RISK APPETITE	RISK APPETITE DESCRIPTION	RISK TOLERANCE
Strategic	Low	The Company does not accept risks which impact its strategic intent.	The Company does not accept risks which could cause non-achievement of its key strategic initiatives or impact the benefits of implementing the key strategies - residual risk exposure rating lower than 5.

RISK CATEGORY	RISK APPETITE	RISK APPETITE DESCRIPTION	RISK TOLERANCE
Compliance / Regulatory	Low	The Company has zero tolerance towards risks which result in non-compliances	The Company does not accept risks where the punitive actions include imprisonment terms or/and high penalty - residual exposure score should be lower than 5.
Environment, Safety & Governance	Low	The Company has a low appetite for risks resulting in significant harm to the environment or for risks that could increase safety incidents	The Company does not accept risks which result in increasing the carbon emissions in the environment / unsafe practices - residual exposure score should be lower than 5.
Legal	Low	The Company has a low appetite for risks that result in acts of litigation	The Company does not accept risks which can result in litigation pertaining to title of assets, patents, etc. - residual exposure score should be lower than 5.
Reputation	Medium	The Company has a medium appetite for risks that adversely impact its reputation	The Company does not accept risks which can result in reputation exposure at the national / international level - residual exposure score should be lower than 10.
Cyber and Technology	Medium	The Company has a medium appetite for risks that lead to	The Company does not accept risks which result in cyber security breaches or loss of personal information of the customers - residual exposure score should be lower than 10.

RISK CATEGORY	RISK APPETITE	RISK APPETITE DESCRIPTION	RISK TOLERANCE
People	Medium	The Company has a medium appetite for the operational risks	The Company does not accept risks resulting in high employee attrition - residual exposure score should be lower than 10.
Financial	Medium	The Company has medium appetite for financial risks	The Company does not accept risks having financial implications - residual exposure score should be lower than 10.
Operational	Medium	The Company has a high appetite for the operational risks	The Company does not accept risks which can lead to operational inefficiencies impacting the customer experience - residual exposure score should be lower than 10.

8. Responsibility for Risk Management

Responsibility holder	Responsibilities
Board of Directors	<p>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:</p> <ul style="list-style-type: none"> Review and approve of the overall risk management policy and/or enterprise risk management (ERM) framework. Approve the enterprise-level risk appetite statement. Review regular risk management reports on the range of risks facing the organization.
Risk Management Committee	<p>The Risk Management Committee, as constituted by the Board, is the key committee which implements and coordinates the risk function as outlined in this policy on an ongoing basis. Its role includes the following:</p> <ul style="list-style-type: none"> Formulation of the Risk Management policy. Monitor the risk appetite utilization Oversee Company's process and policies for determining risk tolerance and review management's measurement and comparison of overall risk tolerance to established levels. Review compliance with risk policies.

Responsibility holder	Responsibilities
	<ul style="list-style-type: none"> • Nurture a healthy and independent risk management function in the Company. • Keep the Board of directors of the Company informed about the nature and content of its discussions, recommendations and actions to be taken; • Review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any); any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable law, as and when amended from time to time, including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Head – Risk & Assurance	<p>The Head – Risk & Assurance facilitates the execution of risk management processes and infrastructure as a key enabler to achieving the business objectives of the organisation:</p> <ul style="list-style-type: none"> • Partner with the business in driving the Risk Management initiative. • Establish and implement processes for risk management. • Facilitate risk prioritization and monitoring • Consolidate and aggregate risks at Corporate level. • Promote risk management culture through trainings. • Report the status of risk items to the Risk Management Committee
Risk Champion	<ul style="list-style-type: none"> • Support department in developing and reporting on risks. • Ensure comprehensive and timely identification, assessment, mitigation, controlling, monitoring, and reporting of risks.
Risk Owner	<ul style="list-style-type: none"> • Accountable and responsible to manage risks and ensure implementation of risk mitigation measures.

9. Periodical Review and Effectiveness

The effectiveness of the risk management framework is ensured through periodical review of this Policy, provided that such review should be undertaken at least once a year. 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 risk management committee to ensure it meets the requirements of legislation and the needs of organisation.

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.

10. Approval

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

Sr. No.	Name	Signature
1.	Rajeev Samant – CEO	
2.	Chaitanya Rathi – COO	

11. Change Management

Sr. No.	Area	Revision
1.	Risk Management Process ➤ Risk Categorisation	Revised the information and nomenclature of the categorization to align with the framework.
2.	Responsibility of Risk Management ➤ Risk Management Committee ➤ Head – Risk & Assurance	Revised the information to align with the committee charter document.