DEEP INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

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1. INTRODUCTION

Risk Management is an organisation-wide approach towards identification, assessment, communication and management of risk in a cost effective manner - a holistic approach to managing risk. Generally, this involves reviewing operations of the organisation, identifying potential threats to the orgranisation and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

This policy describes Deep Industries Limited risk management principles and expectations, applicable to all types of risk in all activities undertaken by or on behalf of the Company. It also outlines roles and responsibilities for the Board of Directors, the Managing Director, Functional heads and all staff.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and provisions of the Companies Act, 2013 ("the Act"), which requires the Company to lay down procedures about risk assessment and risk minimization.

2. STATUTORY REQUIREMENT

Risk Management is a key aspect of Corporate Governance principles which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and SEBI (Disclosure Obligations & Requirements) Regulations, 2015 have also incorporated certain provisions in relation to Risk Management.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board of Directors which shall inter-alia include evaluation of risk management systems. In line with the above requirements, it is therefore necessary for the Company to frame and adopt a "Risk Management Policy" (this Policy).

Schedule IV to the Companies Act, 2013 require Independent Directors to satisfy themselves that the systems of risk management are robust and defensible. SEBI (Disclosure Obligations & Requirements) Regulations, 2015 also require the Board to ensure that appropriate systems of control are in place, in particular systems for risk management.

In the light of aforesaid provisions, the Company has put in place a comprehensive framework of risk management policy.

i. The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as "Committee") who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers/department heads. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day to day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

3. OBJECTIVES:

a. To establish a framework for the company's risk management process and to ensure its implementation.
b. To create and protect stakeholder value by minimizing threats or losses, and identify and maximize opportunities.
c. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
d. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
e. To assure business growth with financial stability.

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

The Company majorly focuses on the following types of material risks:

a. Commodity Risk
b. Business Risk
c. Foreign Exchange Risk
d. Technological Risk
e. Strategic Business Risk
f. Operational Risk
g. Legal and Regulatory Risk

4. RISK GOVERNANCE

The primary responsibility for implementation of the risk management policy lies upon the Board of Directors. However, with a view to ensure effective and efficient implementation of the policies, the Board may delegate authority and responsibility on various departmental heads. The head of the respective departments within the Company shall be responsible for implementation of the risk management system as may be applicable to their areas of functioning and report to Board of Directors.

The Internal Audit function will support Company risk management through review of risk management practices and procedures to provide assurance on their efficiency. Internal Audit would audit the adherence to control systems, and their effectiveness and also flag off any new risks that may emerge during the Internal Audit reviews.

The Audit Committee of the Board shall evaluate the risk management systems and the Board has total responsibility for total process of risk management in the organisation which includes framing, implementing and monitoring risk management plan.

5. MANAGEMENT AND OVERSIGHT

Risk Management Committee

The day to day oversight and management of the Company's risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

a. managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
b. setting up internal processes and systems to control the implementation of action plans;
c. regularly monitoring and evaluating the performance of management in managing risk;
d. providing management and employees with the necessary tools and resources to identify and manage risks;
e. regularly reviewing and updating the current list of material business risks;
f. regularly reporting to the Board on the status of material business risks;
g. review and monitor cyber security; and
h. ensuring compliance with regulatory requirements and best practices with respect to risk management.

Further the Risk management committee can further delegate responsibility for the Risk Management Policy to the the Managing Director or Chief Financial Officer (CFO) or the Finance Controller of the Company or any other assignee as decided by the Board of Directors of the Company.

Responsibilities

The Managing Director or the Chief Financial Officer or the Finance Controller of the Company will have the following responsibilities:

- making recommendations to the execution of any derivative or financial Transaction;
- monitoring each outstanding Transaction on at least a monthly basis by reviewing mark-to-market values, current cash flows, or other metrics;
- making recommendations when early indicators signal action may be required or necessary;

6. EARLY WARNING MONITORING AND REPORTING FOR EXISTING TRANSACTIONS:

The Managing Director or the CFO or the Finance Controller of the Company will monitor existing Transaction cash flows, market values and early warning indicators on an ongoing basis (not less than monthly). The CFO will provide, a recommended course of action when early warning indicators dictate action is required.

The list of "early warning indicators" can be expanded as needed but will include the following at a minimum:

a. A market movement that requires a collateral deposit or is within 10% of such requirement.
b. Any rating action with respect to a counterparty that may result in a rating downgrade to a level lower than the requirements specified in Section VII of this Policy.
c. A rating action on any financing program that could result in a collateral deposit as may be required under an ISDA agreement.
d. A change in tax law or a likely permanent market shift that produces or is likely to produce negative cash flows where the Department must make payments to a counterparty.
e. Any unforeseen event that significantly, negatively impacts the expected results of the Transaction and that is likely to continue.

While derivative transactions are outstanding, at least annually, the CFO or the Managing Director or the Finance Controller of the Company or his designee shall present a written report to the Committee/ Board, on all outstanding Transactions as of the end of the fiscal year.

The CFO or the Managing Director or the Finance Controller of the Company or his designee, in consultation with the Committee/Board, may provide any recommendations to the Committee regarding the transactions and recommend any changes to the Risk Management Policy.

7. ACCOUNTING POLICY AND DISCLOSURE NORMS TO BE FOLLOWED IN RESPECT OF DERIVATIVE TRANSACTIONS

Disclosure Risk - Accounting standards may require balance sheet and income statement entries for swap agreement interim values.

Mitigation of Risk - Retain a reasonable cash reserve in case of termination and structure the swap to minimize the impact of early termination.

8. RISK IDENTIFICATION

In order to identity and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The following are the broad areas separate as External and Internal risk to determine the various risk(s), their probability and available data in the public domain.

- **External Risk Factors**
  - Competition
  - Economic Conditions
  - Market related risk
  - Disaster Risks
  - Legal risks, includes compliance with
  - Fluctuations in Foreign Exchange
  - Inflation and Cost Structure
  - Technological Obsolescence
  - Environment related risks
  - Political developments and likely changes in

local laws, rules and regulations
major policies of the Government

- **Internal Risk Factors**
  - Financial reporting risks
  - Corporate accounting fraud
  - Project Execution
  - Local cultures and values
  - Operational Efficiency
  - Challenges to the quality of servicess
  - Human Resource Management
  - Contractual Compliance
  - Environmental Management
  - Delayed commissioning

9. RISK MANAGEMENT SYSTEM

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses. The Senior Management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

10. RISK TREATMENT

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a. Effective and efficient operations
b. Effective Internal Controls
c. Compliance with laws & regulations

Risk treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

11. AMENDMENT

The Board of Directors or any committee as may be identified by the Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time. Any subsequent amendment / modification in the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

Disclaimer Clause:
The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Readers are requested to exercise their own judgement in assessing various risks associated with the Company.

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