RISK MANAGEMENT POLICY

REGISTERED OFFICE

Shalby Limited

Opposite Karnawati Club
Sarkhej Gandhinagar Highway
Near Prahlad Nagar Garden
Ahmedabad – 380 015
Gujarat, India

CORPORATE OFFICE

B-301 & 302, Mondeal Heights
Opposite Karnawati Club
Sarkhej Gandhinagar Highway
Ahmedabad – 380 015
Gujarat, India

Email: companysecretary@shalby.in, website: www.shalby.org
CIN: L85110GJ2004PLC044667

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SHALBY MULTI-SPECIALTY HOSPITALS

Contents

1. Introduction

The Company's Risk Management Policy ("the Policy") has been formulated to ensure appropriate risk management within its systems and culture. This policy is formulated in compliance with regulation 17(9)(b) of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ("Listing regulations") and 134(3)(n) of the Companies Act, 2013 ("the Act") read along with other applicable provisions that requires Corporates to institute risk management framework comprising a process for risk assessment and minimization procedures, in order to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts on the Company.

This Policy is aimed to develop an approach to make an assessment and management of the various risks areas in a timely manner.

2. Purpose

SEBI has amended Listing regulations on 5th May, 2021 which inter alia includes mandatorily constitution of Risk Management Committee by the Board of Directors for Top 1000 companies. It prescribes that the risk management policy, and evaluation of adequacy of risk management systems should be regularly monitored. It further prescribes to periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity. The assumptions made in the previous risk assessment (hazards, likelihood and consequence), the effectiveness of controls and the associated management system as well as people need to be monitored on an on-going basis to ensure risk are in fact controlled to the underlying criteria.

The Companies Act provides for the requirement of developing and implementing a Risk Management Policy ("Policy") of the Company and a statement to this effect shall be included in the Report of Board of Directors ("Board") every year.

Responsibility of the Board: As per Section 134 (n) of the Act, The board of directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the board may threaten the smooth running, operations and existence of the Company.

Responsibility of the Audit Committee: As per Section 177 (4)(vii) of the Act, 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 internal financial controls and risk management systems.

Responsibility of the Independent Directors: As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

The Board of Directors has decided that the revised terms of reference of the Risk

Management Committee of the Company shall include as under:

1. To formulate a detailed risk management policy which shall include:

    i. 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.
    ii. Measures for risk mitigation including systems and processes for internal control of identified risks.
    iii. 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.
7. Monitoring and reviewing the risk management plan and such other functions as may be delegated by the Board of Directors including cyber security.

3. OBJECTIVE

The Company is exposed to several types of risks, including Operational, Sectoral, Compliance, Sustainability (ESG), Information Technology & Cyber Security and Financial risks. The key objective of this Policy is to ensure sustainable business operations with stability, Business continuity and to promote an upbeat approach in risk management process by eliminating or minimizing risk. In order to achieve this key objective, this Policy provides a prepared and well-organized approach to manage the various types of risks associated with day to day business of the Company and minimize adverse impact on its business objectives.

Main objectives of the Policy are:

1. To ensure that all the current and future, internal and external material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems and processes for risk management through internal controls;

2. To protect brand value through strategic control and operational policies;

3. To establish a framework for the Company's risk management process, systems and to ensure company- wide implementation;

4. To ensure systematic and uniform assessment of risks related with the projects of the Company;

5. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

4. BACKGROUND AND IMPLEMENTATION

The Policy is intended to formalize a risk management policy for the Company, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable and predictable future risks.

The Board of Directors / Audit Committee of the Company shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through Business Unit Heads, Project and Operations Head, Finance Head who shall be responsible for implementation of the risk management process as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

5. CATEGORIES OF RISK

The Company faces constant pressure from the evolving marketplace that impacts important issues in risk management and threatens profit margins. The business is exposed to several kinds of risk from time to time which include the following:

1. **Strategic Risks:** These risks concern risks relating to the flux and movement of money and capital in the Company. This will include cash flow management, investment evaluation and credit. These risks emanate out of the choices, the Company makes in the markets, resources and delivery of services. Strategic Risks are associated with the primary long-term purpose, objectives and direction of the business.

2. **Industry and Competition Risks:** Risks relating to the Healthcare and managing Hospitals, including competition in the industry, technological landscape, risks arising out of providing healthcare services to the patients and those relating to brand name of the Company.

3. **Operational Risks:** Most common, and often combatable in all situations, these risks relate to business operations such as those relating to determination, identification and timely procurement of equipment, implants, surgical items, drugs, consumables, linen etc. from vendors. It also includes timely entering into agreement of contracts for maintaining canteen facilities at all units.

4. **Currency Risk:** The Company deals in more than one foreign currency and is exposed to fluctuations in the currency markets from time to time.

5. **Risks relating to regulatory and compliance framework:** Risks may involve due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigations and related costs and effect on brand value and image. It includes external risks like Government Policy, Taxation structure etc.

6. **Financial Risks** are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.

7. **Sectoral Risk:** It involves uncertainty concerning changes in the economic-financial situation of sector in which the Company operates.

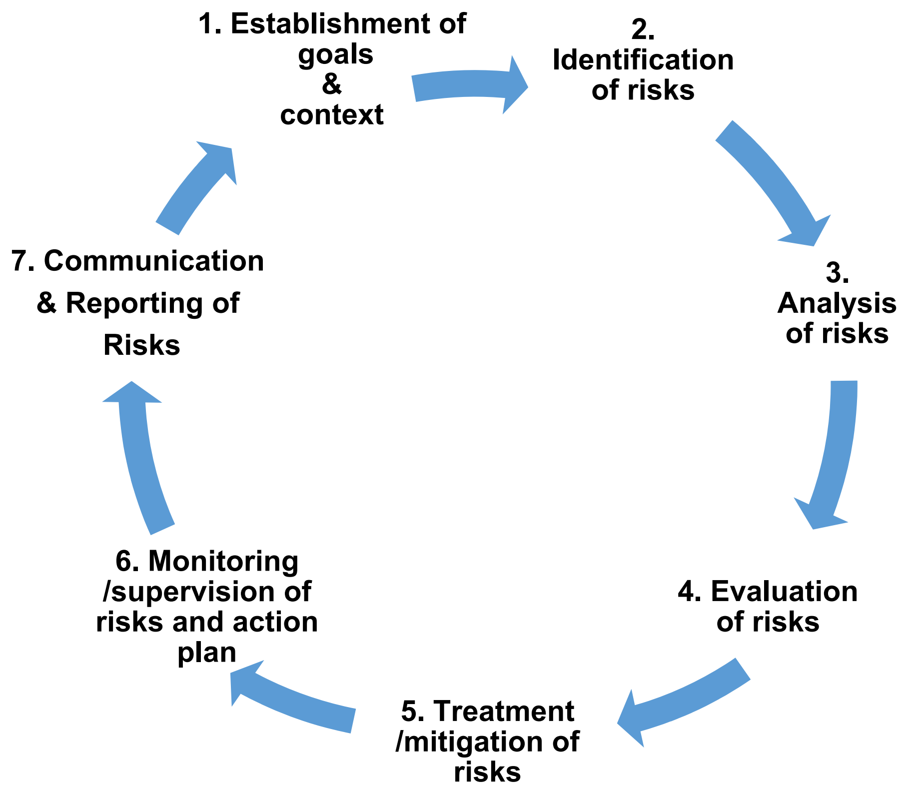
8. **Sustainability Risk including ESG related Risk:** refers to the uncertainty in being able to sustain the growth because certain practices may have negative externalities which result in the dilapidation of value chain of the system over a period of time. Environmental, Social and Governance (ESG) related risk includes those related to climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations.

9. **Information / Cyber Security Risk:** it includes exposure to harm or loss resulting from breaches of or attacks on information systems which may lead to potential of loss or harm related to technical infrastructure or the use of technology within an organization.

10. **Human Resource Risk:** The Company may at times, become susceptible to various risks associated with the procurement of talent, adequate supply of skilled professionals and high attrition as may be specific to the industry.

Due to the constant changes in the issues affecting the business, there is always a need for proactive solutions for risk prevention and management. A comprehensive risk policy covering the broadest spectrum of potential risks will provide the most protection.

6. RISK MANAGEMENT PROCESS



1. **Establishment of goals & context**
   The purpose of this stage is to understand the environment in which the Company operates, keeping in view its external environment, as well as, internal culture. For this, the Company shall establish strategic, organizational and risk management context and identify the constraints and opportunities of its operating environment.

2. **Identification of risks**
   Periodic assessment to identify significant risks for the Company and prioritizing the risks for action is an important aspect of this Policy. Mechanisms for identification and prioritization of risks include risk survey, scanning of the environment of risks, discussions amongst the Business Heads, Project and Operations Head, Finance Head, Compliance Head and Plant Head about the risks and threats to the Company. A risks register shall also be maintained, and internal audit findings shall act as pointers for risk identification.

   The Business Heads will facilitate periodic review meetings for identification of Risks at Business Units as well as Functional Risks. The Risk Management Committee may review the process of identification of Risks in these meetings.

Key questions that may assist identification of risks include:

- ✔ To achieve its goals, the Company shall determine when, where, why, and how are risks likely to occur?
- ✔ What are the risks associated with achieving each goal?
- ✔ What are the risks of not achieving these goals?
- ✔ Who are involved (for example, suppliers, contractors, stakeholders) in the creation, as well as combating of the same?

The appropriate risk identification method will depend on the application area (i.e. nature of activities and the hazard groups), the nature of the project, the project phase, resources available, regulatory requirements etc.

3. Analysis of risks

Risk analysis involves (a) the likelihood of occurrence of anticipated risk and (b) severity of impact on the operations of the Company. It also involves identification of the controls, an estimation of their effectiveness and the resultant level of risk with controls in place (the protected, residual or controlled risk). Qualitative, semi-quantitative and quantitative techniques are all acceptable analysis techniques depending on the risk, the purpose of the analysis and the information and data available.

4. Evaluation of risks

Risk evaluation attempts to define what the estimated risk actually means to the organization with or affected by the risk. Once the risks have been analyzed they can be compared against the previously documented and approved tolerable risk criteria.

The determination of whether a risk is acceptable or not, may have been prescribed before risk assessment process and decision for the same is taken by the concerned Business Unit Head. Where no acceptable risk standards exist, the risk management process will attempt to derive "acceptable" or tolerable risk on a case-by-case basis.

A risk may be considered acceptable, if for example:

- ➢ The risk is sufficiently low that treatment is not considered viable or cost effective, or
- ➢ A treatment is not available
- ➢ A sufficient opportunity exists that outweighs the perceived level of threat.

If the Business Unit head determines the level of risk to be acceptable, the risk may be accepted with no further treatment beyond the current controls. Acceptable risks should be monitored and periodically reviewed to ensure that they remain acceptable.

The level of acceptability can be organizational criteria or safety goals set by the authorities.

5. **Treatment /mitigation of risks**
   For top risks, systems shall be created to track external and internal indicators relevant for risks, so as to indicate the risk level. The trend line assessment of top risks, analysis of exposure and potential impact shall be carried out. Mitigation plans shall be made with identification of responsible person.

6. **Monitoring /supervision of risks and action plan**
   It is important to understand that the concept of risk is dynamic and needs periodic and formal review. The currency of identified risks needs to be regularly monitored. New risks and their impact on the Company may to be taken into account. This step requires the description of how the outcomes of the treatment will be measured. Milestones or benchmarks for success and warning signs for failure need to be identified. The progress of mitigation actions shall be regularly and periodically monitored and reviewed by the Risk Management Committee.

7. **Communication & Reporting of Risks**
   Risk updates shall be provided to the Board. Entity level risks shall be reported to and discussed at appropriate levels of the Company. Clear communication is essential for the risk management process, i.e. clear communication of the objectives, the risk management process and its elements, as well as the findings and required actions as a result of the output.

7. RISK MANAGEMENT COMMITTEE & COMPOSION:

7.1-Composition of Committee

Requirement: The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee. The Company Secretary shall act as the Secretary to the Committee.

The Committee shall facilitate the execution of risk management practices in the Company, as mandated and as laid down in this Policy, in the areas of risk identification, assessment, monitoring, mitigation and reporting. It shall ensure that it deploys mechanisms to comply with the spirit of this Policy.

Composition of **Risk Management Committee** of the Company is as under:

Sr.	Name of Director	Designation
1.	Dr. Vikram Shah	Chairman
2.	Mr. Shyamal Joshi	Member
3.	Mrs. Sujana Shah	Member

7.2- Meetings

The Risk Management Committee should meet **at least two times** in a year and not more than 180 days shall elapse between two consecutive meetings.

The **Quorum** for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

8. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board will undertake the following to ensure that the risks in the Company are managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company;
- The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit;
- The Board shall ensure that appropriate systems for risk management are in place;
- The Board shall ensure allocation of priorities and resources in addressing risks;
- The Board shall actively participate in major decisions affecting the Company's risk profile;
- The Board shall ensure the accountability of the risk management Committee;
- The Board may constitute any committees to ensure that risks are adequately managed and resolved where possible;
- The Board may deploy mechanisms to monitor compliance with the Policy.

The Board will gather and review information and data, be thorough in assessments, seek independent or expert advice where appropriate and provide direction and guidance to Risk management Group.

In fulfilling the duties of risk management, the Risk Management Group may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the approval of the Board.

9. ROLES AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee will undertake and fulfil the following responsibilities:

- Carry out responsibilities entrusted by the Board

- Review and update risk management policy
- Monitoring and reviewing of the risk management activities as approved by the Board
- Review and approve the risk management report for approval of the Board
- Ensuring that appropriate activities of risk management are in place
- Ensure implementation of risk mitigation plans
- Oversee recent developments in the company and external business environment and periodic updating of company's enterprise risk management program for assessing, monitoring and mitigating the risks

10. <u>DISCLOSURE IN BOARD'S REPORT</u>

The Board of Directors shall 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.

11. <u>AMENDMENTS</u>

The Board of Directors as per the recommendations of Committee (s) may amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

EFFECTIVE DATE:

This policy has been originally approved by the Board of Directors of the Company at its meeting held on December 20, 2016 and amended by the Board of Directors on and effective from February 2, 2022 to the Company.

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