

RISK MANAGEMENT POLICY



Version	Approved by	Approved On	Effective From
Version 1.0	Board of Directors	May 13, 2021	May 13, 2021
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RISK MANAGEMENT POLICY

1. OBJECTIVE

Krsnaa Diagnostics Limited ("**Company**") considers ongoing risk management to be a core component of the Management of the Company and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.

This Company's Risk Management Policy outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and Section 134(3) of the Companies Act, 2013 (the "**Act**"), which requires the Company to lay down procedures about risk assessment and risk minimization.

2. APPLICABILITY

This Policy applies to whole of the Company including subsidiaries, branches and functions.

3. DEFINITIONS

"**Board**" means the Board of Directors of the Company;

"**Company**" means Krsnaa Diagnostics Limited;

"**Risk**" means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action;

"**Risk Management**" is the process of systematically identifying, quantifying, and managing all Risks and opportunities that can affect achievement of a corporation's strategic and financial goals;

"**Risk Management Committee**" or ("**RMC**") or "**Committee**" means the Committee formed by the Board in accordance with the Regulation 21 of the SEBI Listing Regulations; and

"**Risk Assessment**" means the overall process of risk analysis and evaluation.

Words and expressions used and not defined in this Policy shall have the meaning as described in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the

Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act, 2013 and rules and regulations made thereunder.

4. RISK MANAGEMENT PROGRAM

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board as stated above, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

The key elements of the Company's risk management program are set out below.

A. RISK IDENTIFICATION

The management is primarily responsible for instituting a risk management framework and put in policies and processes for implementing the framework.

The Risk Management Committee formed by the Board of Directors, is bound by the charter drawn up by the Board of Directors of the Company which lays down the rights, duties and responsibilities of the Risk Management Committee. The Risk Management Committee is inter alia responsible for oversight of the overall risk management process of the Company and to ensure that key strategic and business risk are identified and addressed by the management. Specifically, RMC is concerned with the identification of internal and external risks faced by the Company, including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks, business continuity or any other risk, as may be identified from time to time and ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.

B. RISK CATEGORIZATION

The identified risks shall be classified into three categories: (a) preventable, (b) strategic, and (c) external, to standardize risk management efforts.

- a) **Preventable Risks:** These risks are primarily internal and operational in nature. The goal is to minimize or eliminate such risks, as they are controllable. Standard operating procedures and audit plans are utilized to monitor and manage these operational risks;
- b) **Strategic Risks:** These are risks voluntarily undertaken by senior management to achieve superior returns or enhance market share through strategic initiatives. The approach to managing strategic risks involves accepting or sharing these risks, supported by a risk management system

that aims to reduce the likelihood of their occurrence and to enhance the organization's capacity to manage these risks if they materialize; and

- c) **External Risks:** These risks stem from events beyond the organization's control, such as natural disasters, political upheaval, or significant macroeconomic changes. Management focuses on identifying these risks and mitigating their impacts through strategies aimed at avoidance or reduction, which may include business continuity plans, disaster recovery strategies, specific insurance policies, and advocacy efforts.

C. RISK ASSESSMENT

Risk Assessment involves quantification of the impact of Risks to determine potential severity and probability of occurrence. Each identified Risk shall be assessed on the following two factors which determine the Risk exposure:

- a) Impact if the event occurs; and
- b) Likelihood of event occurrence

The risks shall be assessed in accordance to their categorization as mentioned above, to ascertain the manner of mitigation to be followed and the measures to be adopted to deal with the risk at hand

5. RESPONSIBILITIES OF THE BOARD

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by the Risk Management Committee and Senior Management Personnel. The Committee or Management may also refer particular issues to the Board for final consideration and direction.

6. MEASURES FOR RISK MITIGATION

The following framework shall be used for implementation of Risk Mitigation:

- I. **Risk avoidance:** By not performing an activity that could carry Risk. Avoidance may seem the answer to all Risks but avoiding Risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed;
- II. **Risk transfer:** Mitigation by having another party to accept the Risk, either partial or total, typically by contract or by hedging / Insurance;
- III. **Risk reduction:** Employing methods/solutions that reduce the severity of the loss e.g. concreting being done for preventing landslide from occurring;

- IV. **Risk retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small Risks where the cost of insuring against the Risk would be greater than the total losses sustained. All Risks that are not avoided or transferred are retained by default;

7. RISK MANAGEMENT COMMITTEE

The Board shall form a Risk Management Committee which shall periodically review this Policy of the Company so that the management controls the risk through a properly defined network. The Board may re-constitute the composition of the Committee, as it may deem fit, from time to time or to comply with applicable regulatory requirements.

The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers, as 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 day-to-day oversight and will report to the Board who shall have the sole responsibility for overseeing all. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and process and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

8. RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

- I. To establish 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. To lay down measures for risk mitigation including systems and processes for internal control of identified risks;
- III. To formulate a business continuity plan;
- IV. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- V. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- VI. To implement and monitor policies and/or processes for ensuring cyber security;

- VII. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- VIII. To keep the board informed about the nature and content of its discussions, recommendations and actions to be taken;
- IX. To look into the appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities 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.

9. SENIOR MANAGEMENT

- I. The Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company and individual business units.
- II. Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.

10. EMPLOYEES

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

11. REVIEW OF RISK MANAGEMENT PROGRAM

- I. The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.
- II. The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees responsible for its implementation.

12. 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:

- I. 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.
- II. A combination of centrally issued policies and divisionally evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- III. Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high-risk profiles.
- IV. 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.

13. AMENDMENTS

The Company is dedicated to regularly assess and update its policies and procedures. Consequently, this policy may be amended from time to time subject to Board approval and in compliance with applicable laws and regulations. This policy and any further modifications/ amendments to the same shall be promptly disclosed on the Company's website and filed in accordance with the applicable laws and regulations.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent 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.