RISK MANAGEMENT POLICY

(Section 134(3)(n) of the Companies Act, 2013)

A. OBJECTIVE

The main objective of this Risk Management Policy ("**Policy**") is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. This Policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the Company and events outside the company which have a bearing on the Company's business. The Policy shall operate in conjunction with other operating or administrative policies of the Company. In order to achieve the key objective, the Policy establishes a structured and disciplined approach to Risk Management, in order to guide decision on risk related issue. These include

1. Providing a framework, that enables future activities in a consistent and controlled manner
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
3. Contribution towards more efficient use / allocation of the resources within the organization;
4. Protecting and enhancing assets and Company image;
5. Reducing volatility in various areas of the business;
6. Developing and supporting people and knowledge base of the organisation
7. Optimizing operational efficiency
8. Ensuring Business continuity plan
9. Development of Risk Register, in order to guide decision on risk evaluation and mitigation related issues.

Regulation 21(4) further provides that the board of directors shall define the role and responsibility 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. Such functions shall specifically cover cyber security. It further states that the role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II.

The formulation and implementation of the Policy is in compliance with the Regulation 17(9) and 21 read with Schedule II- Part D of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("**SEBI LODR Regulations**") and provisions of Companies Act, 2013, as amended which requires the Company to lay down procedures about risk assessment and risk minimization.

Section 134(3)(n) of the Companies Act, 2013, as amended ("**the Act**") requires a statement to be included in the report of the Board of Directors (the "**Board**") of the Company 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. Furthermore, Regulation 17(9)(b) of the SEBI LODR 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.

The Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company and the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible. Section 177(4)(vii) of the Companies Act, 2013 provides that Audit Committee shall evaluate the internal financial controls and risk management systems of the company.

B. EFFECTIVE DATE

The Board of Directors approved and has adopted this Policy for Risk Management at its meeting held on January 14, 2025 and shall be effective from the date of listing of the securities of the Company on the stock exchange(s).

C. APPLICABILITY

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

D. DEFINITIONS

"**Audit Committee**" or "**Committee**" means the Committee of Board of Directors of the Company constituted under the under Section 177 of the Act, and the provisions of the SEBI LODR Regulations from time to time;

"**Company**" means Methodhub Software Limited;

"**Risk**" means events or conditions that may occur, and whose occurrence, if it does take place, has an adverse or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk;

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

"**Risk Management**" means 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" means the Committee formed by the Board as under Regulation 21 of the Listing Regulations.

"**Risk Register**" means a tool for recording the Risks identified under various operations.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them 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.

E. COMPOSITION

The Risk Management Committee shall have a minimum of three members with the 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.

F. SECRETARY:

The Company Secretary shall act as a secretary to the Risk Management Committee.

G. CLASSIFICATION OF RISKS

The Risk shall be classified under 2 heads- Internal Risk and External Risk.

Internal Risk

Business Risk: It includes the risks associated specifically with the Company and having an adverse impact on the Company's capability to execute activities critical for business growth, thereby affecting its near-term performance.

Financial Risk: It includes the risks related to the Company's financial structure, cash flow, and capital management that may adversely impact the Company's ability to meet its financial obligations, fund its operations, or invest in growth opportunities, thereby affecting its overall financial stability and performance.

Information Risk: It includes the risks associated with the confidentiality, integrity, and availability of the Company's data and information systems, which may lead to unauthorized access, data breaches, or disruption of business processes, thereby impacting the Company's operational efficiency and reputation.

Cyber Security Risk: It includes the risks related to cyber threats such as hacking, malware, phishing, and other cyber-attacks that may compromise the Company's information systems, disrupt operations, or result in financial loss or reputational damage, thereby impacting the Company's ability to operate securely and effectively.

External Risk

Strategic Risk: It includes range of external events and trends (such as Government policy, competition, court rulings or a change in stakeholder requirements) that can adversely impact the Company's strategic growth and destroy shareholder value.

Sectoral Risk: It includes the risks arising from factors specific to the industry or sector in which the Company operates, such as regulatory changes, market dynamics, competitive pressures, and technological advancements, which may adversely affect the Company's strategic position and growth prospects.

Sustainability Risk: It includes the risks associated with environmental, social, and governance (ESG) factors that could negatively impact the Company's long-term viability, stakeholder trust, and compliance with evolving sustainability standards and regulations, thereby influencing the Company's reputation and operational continuity.

Operational Risk: These are risks which are associated with operational uncertainties, force majeure events like pandemic, floods affecting operations, internal risks like attrition etc.

Legal Risk: It is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

H. RISK MANAGEMENT FRAMEWORK

Risk should be monitored and managed continuously. Therefore, the Company has designed a dynamic risk management framework to manage the risk effectively and efficiently. Risk management process includes four activities: Risk Identification, Risk Assessment, Risk Reporting and Disclosures and Risk Mitigation.

1. Risk Identification

The purpose of Risk identification is to identify internal and external risks specifically faced by the Company, 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 and identify all other events that can have an adverse impact on the achievement of the business objectives. Mechanisms for identification and prioritization of risks include risk survey, industry benchmarking, incident analysis, business risk environment scanning, and focused discussions with the Board. Risk Register and internal audit findings also provide inputs for risk identification and assessment. Further, periodic assessment of business risk environment is carried out to identify significant risks to the achievement of business objectives and prioritizing the risks for action. Scenario based risk assessments are also carried out. Operational risks are assessed primarily on three dimensions, namely, strength of underlying controls, compliance to policies and procedures and business process effectiveness. All Risks identified are documented in the form of a Risk Register. Risk Register incorporates risk description, category, classification, mitigation plan, responsible function / department.

2. Risk Assessment

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

i. Impact if the event occurs
ii. Likelihood of event occurrence

Risk Categories: It is necessary that Risks are assessed after taking into account the existing controls, so as to ascertain the current level of Risk. Based on the above assessments, each of the Risks can be categorized as – low, medium and high.

3. Risk Reporting and Disclosures

Risks to the achievement of key business objectives, trend line of risk level, impact and mitigation actions are reported and discussed with the Board on a periodic basis. Key external and internal incidents with potential impact are reported, Periodic update is provided to the Board highlighting key risks, their impact and mitigation actions. Key risk factors are disclosed in regulatory filings.

4. Risk Mitigation

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls.

Risk treatment involves a cyclical process of:

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

Based on the Risk level, the company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. Following framework shall be used for risk treatment:
The following framework shall be used for implementation of Risk Mitigation:

All identified Risks should be mitigated by using any of the following Risk mitigation plan:

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. having adequate software in place to prevent data leak.
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.

I. 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:

- 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;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks;
- review and monitor cyber security; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

Further, the Company is exposed to commodity risks on a routine basis due to multiple commodities (imported or domestically procured) utilized in its manufacturing operations. Such risks are managed by a detailed and regular review at a senior level of various factors that influence the commodity prices as well as tracking the commodity prices on a daily basis and entering into fixed price contracts with overseas suppliers in order to hedge price volatility.

Compliance of this Policy shall be the responsibility of the officer designated by the Board as Risk Officer or any other Key Managerial Personnel who have been Chief Financial Officer of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

The Audit Committee shall review of risk management systems on an annual basis.

The Risk Management committee shall comprise of:

- **Members:** Minimum three (3) members with the majority of them being members of the Board of Directors, including at least one (1) independent director.
- **Chairperson:** Shall be a member of Board and senior executives of the Company may be members of the committee.
- **Meeting:** The Committee shall meet at least twice in a financial year on a continuous basis in such a manner that not more than two hundred and ten days shall elapse between any two consecutive meetings.
- **Quorum:** Shall be either two (2) members or one-third (1/3rd) of the members of the Committee whichever is higher, including at least one (1) member of the Board to be present.

Senior Management

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.

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.

Employees

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

J. MONITORING AND REVIEWING RISKS

The Risk Management Committee shall formulate the policies for effective identification, monitoring, mitigation of the Risks. The secretary of the Committee shall maintain the Risk Register.

Internal audit committee reviews the Risk Register once a year and adds any new material Risk identified to the existing list. These will be taken up with respective functional head for its mitigation.

Existing process of Risk Assessment of identified Risks and its mitigation plan will be appraised by the Risk Management Committee to Board on an annual basis.

K. RISK APPETITE

A critical element of the Company's Risk Management framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives. The key determinants of risk appetite are as follows:

a. Shareholder and investor preferences and expectations;
b. Expected business performance (return on capital);
c. The capital needed to support risk taking;
d. The culture of the organization;
e. Management experience along with risk and control management skills; and
f. Longer term strategic priorities. Risk appetite is communicated through the Company's strategic plans.

The Board and the management of the Company monitors the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

L. REVIEW OF POLICY

The Audit Committee shall periodically review the Risk Management Policy and associated frameworks, processes and practices of the Company, at least once in a year.

a. The Committee shall ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
b. The Committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning and testing).
c. The Committee shall coordinate its activities with other Committees in instances where there is any overlap with activities of such Committees.
d. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
e. The Committee shall make regular reports/ recommendations to the Board.

M. AMENDMENT

Any change in the Policy shall be approved by the Board of Directors of the Company. 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, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the SEBI LODR Regulations and/or any other laws in this regard shall automatically apply to this Policy.

This Policy shall be made enforceable immediately on listing of equity shares of the company on any stock exchange.

N. DISCLAIMER

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and in having a complete / proper management's perception of risks. This policy may be amended and modified, subject to appropriate provisions of law, rules, regulations and guidelines from time to time.

O. DISSEMINATION

This Policy shall be posted on the website of the Company i.e. https://methodhub.in/

Approved in the meeting dated January 14, 2025