



LANDMARK CARS LIMITED

RISK MANAGEMENT POLICY

1. Overview:

Risk is an inherent aspect of the dynamic business environment. Risk Management policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives, the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

This policy is in compliance with SEBI (Listing Obligations & Disclosure Requirements), Regulations 2015 and provisions of Companies Act, 2013 read with relevant rules made thereunder which requires the Company to lay down the procedures about the risk assessment and risk minimization.

2. Scope of the Policy:

This Policy shall be applicable to the Company, including its subsidiaries (present and future), acquired entities, and to all processes or functions in such entities.

The Company's risk management policy relates to identification, assessment, monitoring and mitigation of various risks to our business. The policy seeks to minimize adverse impact on our business objectives and enhance stakeholder value. Further, our risk management practices seek to sustain and enhance long-term competitive advantage of the Company.

Landmark Cars Limited like any other business entity is exposed to normal industry risk factors of competition, economic cycle and uncertainties in the domestic markets. No business can be conducted without accepting certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves.

The Company's policy is to identify risks particularly those risks which can threaten the existence of the Company. At the same time, the Company will also determine such risks which are within the limit of risk acceptance, followed by actions which need to be taken to avoid, mitigate, and transfer or to purely monitor the risk.

Risk Management at Landmark Cars has adopted an integrated approach wherein it ensures all material risks are identified, monitored, mitigated and reported in real time.



3. Objectives of the Policy:

The Objectives of the Policy can be summarized as follows:

- a) To safeguard the Company's and its subsidiaries / joint ventures property, interests, and interest of all stakeholders;
- b) To manage risks with an institutionalized framework and consistently achieving desired outcomes;
- c) To protect and enhance the corporate governance;
- d) To implement a process to identify potential / emerging risks;
- e) To implement appropriate risk management initiatives.
- f) Minimize undesirable outcomes arising out of potential risks; and
- g) To align and integrate views of risk across the enterprise.

4. Requirements as per Companies Act, 2013 (the Act):

- **Responsibility of the Board:** Section 134(3) of the Act, requires the Board of Directors of a Company, as part of the Board's Report, to furnish 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 existence of the Company.
- **Responsibility of the Audit Committee:** As per Section 177(4) of the Act, every 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 Section 149(8) of the Act, the Company and Independent Directors shall abide by the provisions as specified in Schedule IV – Code for Independent Directors, adhere to the standards and fulfill their responsibilities in a professional and faithful manner. The Independent directors shall:
 - (i) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
 - (ii) Satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible.

5. Requirement as per SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015 (“Listing Regulations”):

- **Regulation 17(9) of the Listing Regulations** requires the listed entity:
 - a) To lay down procedures to inform members of Board of Directors about risk assessment and minimization procedures.
 - b) The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.



- **Regulation 21 of the Listing Regulations** requires the Board of Directors to constitute a Risk Management Committee and the Committee shall formulate a detailed risk management policy which shall include:
 - a) 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.
 - b) Measures for risk mitigation including systems and processes for internal control of identified risks.
 - c) Business continuity plan.

Listing Regulations notified on July 08, 2016 read with SEBI notification dated May 05, 2021 effective from May 06, 2021, as amended from time to time, requires top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a Risk Management Policy (hereinafter referred as “**Risk Management Policy**”). As per the amendment, once the provisions of Listing Regulations become applicable to a listed entity on the basis of market capitalization, it shall continue to apply irrespective of change in the market capitalization.

6. Importance of Risk Management

A certain amount of risk taking is inevitable if the organization is to achieve its objectives. Effective management of risk helps to manage innovation and improve performance by contributing to:

- Increased certainty and fewer surprises,
- Better service delivery,
- Effective management at all levels through improved decision making,
- Efficient use of resources,
- Reduced wastage and fraud,
- Better value for money,
- Innovation,
- Management of contingent and maintenance activities

7. RISK MANAGEMENT COMMITTEE:

- **Composition** – 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 a secretary to the Committee.



- **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. RISK MANAGEMENT FRAMEWORK

- **PROCESS:**

Risk Management is a continuous process that is accomplished throughout the life cycle of a company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning and implementing appropriate risk mitigators; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

A framework for identification on internal and external risks 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 shall be prepared.

9. STEPS IN RISK MANAGEMENT

(a) **Risk Identification** – It involves continuous identification of events that may have negative impact on Company's ability to achieve goals. Risk events and their relationship are defined on the basis on discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc. The identification process is carried out in such a way that an expansive risk identification covering operations and support functions are put together and dealt with.

(b) **Risk Assessment** – It is the process of risk prioritization. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization.

The external risk factors are economic, political, fluctuations in trading activities, changes in interest rates and other factors beyond Company's control that might harm its business and results of operation.



Internal risk factors include quality assurance, culture and values, contractual compliance, Operational efficiency, hurdles in optimum use of resources, human resource management, and project execution. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

- (c) **Risk Analysis** – It includes root cause analysis which enables tracing the reasons / drivers for existence of a risk element and helps developing appropriate mitigation action. It is to be conducted taking the existing controls into consideration. Risk events assessed as “high” or “very high” critically may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.
- (d) **Risk Treatment - Mitigation** – Management develops appropriate responsive action with a view to managing identified risks and limiting the impact to tolerance level. Risk mitigation plan drives policy development as regards risk ownership, control environment timelines, standard operating procedures, etc. Risk mitigation plan is the core of effective risk management. It covers the required actions to be taken, required resources, responsibilities, timing, performance measures and reporting and monitoring requirements. It also controls:-
- (i) Preventive controls – responses to stop undesirable transactions, events, errors or incidents so that appropriate action can be taken.
 - (ii) Detective controls - responses to promptly reveal undesirable transactions, events, errors or incidents so that appropriate action can be taken.
 - (iii) Corrective controls – responses to reduce the consequences or damage arising from crystallization of a significant incident.

Thus, it is drawn with adequate precision and specificity to manage identified risks in terms of documented approach (accept, avoid, reduce, share) towards the risks with specific responsibility assigned for management of the risk events.

- (e) **Risk – Control and Monitoring** – It is designed to assess on an ongoing basis, the functioning of risk management components and the quality of performance over time. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.



10. CLASSIFICATION OF RISKS

The risk can be identified as internal or external and then subject matter wise the risk can be classified as:

- i. Operational risks
- ii. Financial risks
- iii. Sectorial risks
- iv. Sustainability risks (particularly, environment, safety and governance related risks)
- v. Information, Cyber security risks
- vi. Other Risks

I. OPERATIONAL RISKS

Operational Risks / Business risks relates to the day to day business activities carried out within an organization, arising from structure, systems, people, products or processes. The Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Broadly, there are risks associated to manufacturing and trading operations. Such risks include manufacturing defects, labor unrest, accidents, suspended operations of plant, quality issues, imports, uncertainties in the domestic markets, inadequate coverage of insurance policies etc.

Measures for Risk Mitigation –

- Improving quality of its services & products
- Continuous investing in research and development
- Producing & supplying good quality products
- Having various insurance plans and maintain insurance coverage that commensurate with business operations.
- Strict adherence to government policies with respect to taxation, imports, price mechanism and consumption of fuel and gases.

II. FINANCIAL RISKS

The financial risks relate to adequate liquidity for routine operations and availability of funds for expansion, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The investments of the Company should be made on the basis of financial modeling and the currency fluctuations be examined regularly. It includes high interest cost, credit risk, volatility in the equity market, and change in interest rates, monetary policies framed by Government & Reserve Bank of India, investments in equity, debt and real estate markets are always subject to market fluctuation risks.



Measures for Risk Mitigation –

- Increase the turnover, profitability and resultant liquidity position of the Company
- The Company may meet its financial obligations to bank in time;
- Accounts of sticky debtors to be reconciled and settled.
- Investments to be analysed and approved taking into account risk profile
- Performance to be reviewed at least once a month with the help of experts.

III. SECTORAL RISK

The Sectoral risk refers to the influence of industry variables such as demand supply outlook, input risk, input cost fluctuation, competition, utilization levels along with the impact of government regulations and policies on the Company. Other examples of identified risks are:

- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Security risks and cyber – attacks
- Insufficient systems capacity and system failures

Measures for Risk Mitigation – Marketing investments to further strengthen the brand may mitigate the impact of aggressive competition. The Company has a systematic in sighting and new product development process that helps in increasing the chances of new product success. The Company contemplates acquisitions with a high strategic fit where it envisages a clear potential to derive synergistic benefits.

IV. SUSTAINABILITY RISKS

Environmental, Social and Governance (ESG) are three central factors in measuring the sustainability and ethical impact of a company. These factors have a material impact on the long – term risk and return of investments. Responsible investors evaluate ESG Criteria as a framework to screen investments or assess risks in decision making.

Environmental factors focus on waste & pollution, greenhouse gas emissions and climate change. Environmental risks created by business activities have a negative impact on air, water, land and human health. Thus Company is required to take proper steps for managing resources, prevent pollution and executive environment reporting or disclosure.

Social factors look at how a company treats people & focuses on employee relations & diversity, health & safety and conflict. Social risks refer to impact that a company can have on society at large. The Company shall undertake social activities such as promoting health & safety, encouraging labor



management relations, focus on product integrity, reducing turnover and improving brand loyalty.

Governance focuses on tax strategy, donations, corruption and bribery, corporate policies & how a company is governed. Governance risks are well taken care of as the legislative framework in India requires a very stringent compliance by corporate entities from the provisions of Companies Act, 2013, Secretarial Standards, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and various other regulations framed by SEBI on a regular basis, which provides stringent provisions including imposition of penalty and prosecution.

Also, in general compliance related risks have assumed high importance. Timely publication of financial results, annual accounts, seeking various approvals from members etc. are also important aspects of Compliance related risks.

V. INFORMATION AND CYBER SECURITY RISKS

Information (Data) & Cyber security risk is the probability of exposure or loss resulting from a cyberattack and data breach in a Company. Organizations are becoming more vulnerable to cyber threats due to the increasing reliance on computers, networks, programs and data globally. Data breaches have massive negative impact & often arise from insufficiently protected data. Third – parties are provided with information through the supply chain, customers, and other third and fourth party providers. The risk is compounded by the fact that organization is storing large volumes of personally identifiable information on external cloud providers that need to be configured correctly in order to sufficiently protect data. The potential targets under cyber security risks are customer data, employee data, Intellectual property, product quality and safety, strategic planning, financial data etc. The concerned personnel are made responsible for establishing and maintaining the enterprise vision, strategy.

VI. OTHER RISKS (HAZARD RISKS)

1. Natural calamities could have an adverse impact on the Indian economy which, in turn, could adversely affect our business, and may cause damage to our infrastructure and the loss of business continuity and business information.
2. Global or regional climate change or natural calamities in other countries where we may operate could affect the economies of those countries. There have been outbreaks of diseases in the past.



3. Any outbreak of health epidemics may restrict the level of business activity in affected areas, which may, in turn, adversely affect our business.
4. The Company shall take various measures such as –
 - Consequential loss policy covering loss of profits caused due to fire;
 - Undertaking various measures like distribution of masks, face shields, sanitizers, etc.
 - Framing and issuing detailed safety guidelines for its employees and workers.

11. BUSINESS CONTINUITY PLAN

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

Company shall have well documented business continuity plan for any contingent situation covering all perceivable circumstances. The business continuity plan may be reviewed and amended by the risk management committee.

12. RISK REPORTING

The Board of Directors of the Company shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

Head of Departments or such other authorized persons by Board shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board / Audit / Risk Management Committee, as the case may be.

Every Head of Departments or such other authorized persons by Board shall also give details regarding any apparent risk and prospective opportunities relating to their departments on periodic basis to the Board.

While the Company will be monitoring, evaluating and responding to risks. Only significant risks (or those that could become significant) need to be reported to the Risk Management Committee, Audit Committee and Board.



Significant risks include those risks that have a high likelihood or significant impact i.e. having risk exposure or where there is limited ability for mitigation by the Company. These risks are identified and assessed based on the Company's expertise, judgment and knowledge.

13. DISCLOSURES

Board's responsibility statement

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 in its Board Report.

The Board of Directors of the Company and the Audit & Risk Management Committee shall periodically review and evaluate the risk management system of the Company, so that the management controls the risks through risk management framework.

14. EFFECTIVE DATE

This policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on ___ August, 2023 and would be effective from ___, August, 2023 to the Company.