INNEFU LABS LIMITED

(FORMERLY KNOWN AS INNEFU LABS PRIVATE LIMITED)

RISK MANAGEMENT POLICY

Version: 1.0

Approved By: Board of Directors

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RISK MANAGEMENT POLICY

1. INTRODUCTION

The Companies Act, 2013 and the rules made thereunder ("**Act**") emphasize the requirement of Risk Management Policy ("**Policy**") for the Company. Accordingly, this policy is formulated in compliance with the provisions of Section 134(3)(n) of the Act read along with other applicable laws/ including applicable provisions of Digital Personal Data Protection (DPDP) Act, 2023 which requires the Company to lay down procedures about risk assessment and risk minimization.

Pursuant to the provisions of the Act, 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 shall be included in the Board's Report.

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.

2. OBJECTIVE, PHILOSOPHY AND APPROACH

The objective of this Risk Management Policy is to help the Company to put in place effective frameworks for taking informed decisions about risk. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

The key areas to be addressed are:

- The requirements of **Corporate Governance** - these include more focused and open ways of managing risk. The need for a 'risk champion' at senior level, role for an activity (strategy, program or project) and the need for risk owners at everyday working levels as appropriate for the activity and risk exposure.
- Consideration of the **organizational capability** to successfully achieve the required outcome.
- The need for **improved reporting** and upward referral of major problems.
- The need for **shared understanding** of risk and its management at all levels in the organization with partners and key stakeholders, combined with consistent treatment of risk across the organization.

Further, the purpose to define the risk management policy is:

1. To establish a framework for the management of risks;
2. To increase overall awareness of risks throughout the Company;
3. To define functional and process ownership thus clearly defining risk management responsibility;

4. To enable managers and those responsible for risk reporting, to better identify, assess and manage risks within their areas;
5. To develop a process for risk documentation and communication;
6. To assure business growth and financial stability by appropriately managing the risks.

The policy is meant to ensure continuity of business and protection of interests of the stakeholders 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 business and operating / administrative policies.

3. RISK FACTORS

A risk factor is any attribute or characteristic of any event / activity / environment, whether inside or outside the Company, that increases the likelihood of occurrence of the risk. The objectives of the Company are subject to the following risk factors:

External Risk Factor	**Internal Risk Factor**
Government Policies & Laws	Culture and Values
Competition	Compliance with Laws
Technology Obsolescence	Human Resource Management
Political & Economic Environment and market conditions	Environmental Management
Inflation and cost structure	Contractual Compliance
Cyber Threats	Financial Reporting & Cash Flow
	Cyber Threats

The risk factors outlined above are not exhaustive in nature and will continuously be updated in accordance with the framework outlined in the Policy.

4. 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
- More effective management of change
- More efficient use of resources
- Better management at all levels through improved decision making

5. RISK MANAGEMENT PROCEDURES

For the implementation of Enterprise Risk Management ("**ERM**") in the Company and alignment to stated organizational objectives, enterprise level risks shall be identified in the following four categories:

1. **Strategic:** High-level goals, aligned with and supporting its mission;
2. **Markets & Reputation:** Brand image, Market presence etc.;
3. **Operational:** Efficient and effective use of its resources and processes;
4. **Regulatory:** Compliance with applicable government laws and regulations.

Financial reporting risks are covered under the Internal Financial Control (IFC) framework. Operational risks for different sub processes are defined in risk and control matrices, which are tested on an annual basis as per the requirement of Companies Act 2013. However, any operational risk with a significant impact at entity level may also get included in the ERM Framework defined. The framework shall be a model for discussing and evaluating risk management efforts in the organization.

The risk management procedures shall be covering the following aspects:

1. Risk identification – It includes:

i. Conducting risk interviews with top management and functional heads for creating a systematic process by identifying the project objectives and success factors
ii. Identification of events that may have negative consequences
iii. Gathering information from various sources
iv. Root cause analysis
v. Documenting the risks and risk identification process

2. **Risk Assessment (i.e. estimation) and risk analysis** - It includes:

i. Assessment of likelihood of occurrence of risk and potential impact
ii. Risk appetite matrix
iii. Assessment of inherent risk
iv. Mapping of existing controls in place to arrive at residual risk
v. Identification of top risk by using risk reporting matrix

3. **Risk treatment / mitigation (i.e. Risk Strategy/ Response)** – The risk mitigation can be planned using the following key strategies:

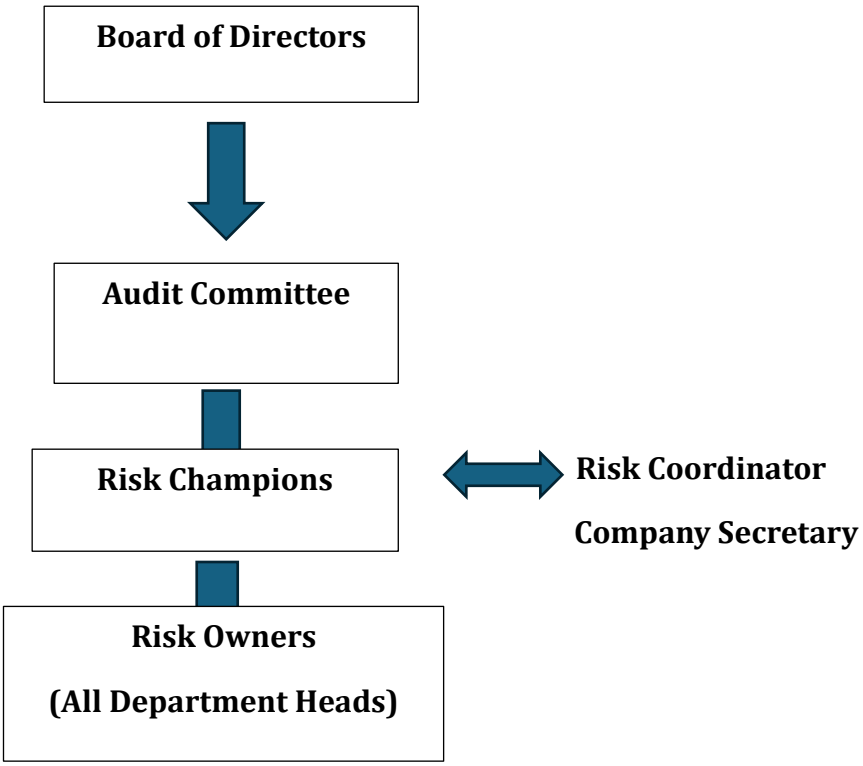
i. To terminate the activity
ii. To treat it by addressing the probability or impact
iii. To transfer it to party best placed to manage it
iv. To tolerate / accept the risk

4. **Risk - Control and Monitoring**

i. Risk Registers
ii. Defining roles and responsibility
iii. Involvement of higher management
iv. Continuous process of risk identification and risk reporting
v. Risk review and monitoring mechanism structure

6. RISK MANAGEMENT STRUCTURE

Depending upon the nature and size of the business operations, the responsibilities of carrying out risk management procedure falls on the various stakeholders of the organization. As per the current business model of the Company, the risk organization structure will be as follows:



7. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board will undertake the following actions to ensure risk is managed appropriately:

i. Review the risk management policy and systems from time to time;
ii. Ensure that the appropriate systems for risk management are in place;
iii. Participate in major decisions affecting the organization's risk profile;
iv. Have an awareness of and continually monitor the management of strategic risks;
v. Be satisfied that processes and controls are in place for managing significant risks;

vi. Ensure risk management is integrated into Board reporting and annual reporting mechanisms.

8. AUDIT COMMITTEE

The Board has authorized the Audit Committee to review and monitor the implementation of the Risk Management Policy and to recommend changes, if any, from time to time.

Audit Committee shall play a supervisory role in the Risk Management, such as, to review and evaluate risk management systems; ensuring the adequacy of internal financial controls; monitoring the major risk exposures and advising the mitigation plans; review internal audit reports relating to risks; ensuring compliance and fraud risk control mechanisms; and to advise the Board on improvements in Policy.

The Committee may 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. The 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.

9. RISK CO-ORDINATOR

i. The Company Secretary of the Company will act as a Risk Co-ordinator.

ii. Risk Coordinator shall coordinate with Risk Champions and the Audit Committee to circulate agenda for the meeting.

iii. To devise and carryout independent self-review to ensure compliance with the risk management policy.

10. RISK CHAMPIONS

i. Managing Director / Whole-time Directors of the Company shall act as Risk Champions of the Company.

ii. The Risk Champions will report their findings / observations / suggestions to the Audit Committee or Board of Directors for review.

iii. Risk Champions will review the risk identified by Risk owners and present the same to the Committee.

iv. Risk Champions will monitor and evaluate the mitigation plan for the risks identified from time to time and place it before the Committee/Board for review.

11. RISK OWNERS

i. All department heads of the Company will act as the Risk Owners of the risks related to his/her area.

ii. The Risk Owner will be responsible for mitigation of risk of their respective areas.

iii. Risk Owner shall present the new risks identified along with proposed mitigation plan to Risk Champions.

iv. Risk Champions will act as Risk Owners of different strategic risks which are not covered under the scope of various Departmental Heads.

v. Risk Owner will have responsibility of identifying future risk, evaluate the criticality of the risk and formulate the steps of mitigation.

vi. Risk Owners will discuss all the new risks identified and mitigation plan to Risk Champions.

12. COMPLIANCE AND CONTROL

All the senior executives have the responsibility for over viewing management's processes and which shall result in identifying, assessing and monitoring risk associated with Organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk of the Company.

In carrying out the risk management processes, the senior executives of the Company shall consider and assess the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of the external Auditor's report to management on internal control and action taken or proposed resulting from those reports.

The Audit Committee shall provide periodically the risk updates to the Board. The risk management and internal control systems within the organization encompass all policies, processes, practices and procedures established by management and / or the Board to provide reasonable assurance that:

-Established corporate, business strategies and objectives are achieved;

-Risk exposure is identified and adequately monitored and managed;

-Resources are acquired economically, adequately protected and managed efficiently and effectively in carrying out the business;

-Significant financial, managerial and operating information is accurate, relevant, timely and reliable; and

-There is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations.

13. 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. The Company shall define Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed by the Audit Committee.

14. REVIEW AND AMENDMENT

This Policy shall be reviewed by the Audit Committee/Board at such interval as it thinks fit. The Board of Directors or any of its authorized Committees 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 or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

This Policy shall be communicated to all vertical/functional heads and other concerned persons of the Company.