

CANARYS AUTOMATIONS LIMITED

(formerly known as Canarys Automations Private Limited)



RISK MANAGEMENT POLICY

I. INTRODUCTION:

As per Section 134(3) of the Companies Act, 2013 ('the Act') requires the Board of Directors of a company, as part of the Board's Report, to give 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.

The Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the activities of Canarys Automations Limited (the "Company"). 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.

II. OBJECTIVE OF THE POLICY:

1. The Company is prone to inherent business risks. The main objective of this policy is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.
2. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks ("Policy").

III. DEFINITIONS:

- i. **“Audit Committee”** means the Audit Committee constituted/to be constituted by the Board of Directors of the Company under Section 177 of the Companies Act, 2013 and SEBI Regulations as amended from time to time.
- ii. **“Board”** means Board of Directors of Company.
- iii. **“Company”** means Canarys Automations Limited.
- iv. **“Risk”** is defined as the chance of a future event or situation happening that will have an impact upon company’s objective favourably or unfavourably. It is measured in terms of consequence and likelihood.
- v. **“Risk Management”** encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

IV. CATEGORIES OF RISK:

The Risk is broadly categorized into;

Risk Category	Description
Strategic Risks	<ul style="list-style-type: none"> - Market Strategy, Market Penetration, Market share, loss of reputation. - Economic condition of the market, Global recession and Environmental Issues - Loss of Intellectual Property and Trade secret - Globalization and Technological obsolesce - Volatility in Commodity Market - Ineffective or poor strategy developed;

	<ul style="list-style-type: none"> - Inadequate succession planning; - Uncertainty surrounding political leadership in Domestic and International markets
Operational Risks	<ul style="list-style-type: none"> - Consistent Revenue growth - Cost Optimization - Manpower retention - Disaster Management and Data security - Inefficient working capital management - Difficulties in commissioning and operating a particular business; - Unexpected increase in the costs of the components required to run a business; - Adverse market conditions;
Financial Risks	<ul style="list-style-type: none"> - Financial performance does not meet expectations; - Capital is not effectively utilized or managed; - Cash flow is inadequate to meet financial obligations; - Financial results are incorrectly accounted for or disclosed; - Credit, market and/or tax risk is not understood or managed effectively; - Volatility in Currency, funding & Credit risk
Investment Risk	<ul style="list-style-type: none"> - Failure to provide expected returns for defined objectives and risk such as underperforming to the stated objectives and/or benchmarks.
Legal & Compliance	<ul style="list-style-type: none"> - Legal/commercial rights and obligations are not clearly defined or misunderstood;

Risks	<ul style="list-style-type: none"> - Commercial interests not adequately protected by legal agreements; - Ensure stricter adherence to laws/ rules/ regulations/ standards; - Adherence of company Policies and Procedures - Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.
Cyber Security risk	<ul style="list-style-type: none"> - Loss of Company's or customer artifacts, digital assets (code, database etc.,) or IP - Sharing of personally identifiable information without requisite approvals - Ransomware attacks

V. RISK MANAGEMENT FRAMEWORK

i. The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow to manage risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

ii. The Company's approach to risk management is summarized as below:

1. Identification of risks

To ensure key risks are identified, the Company should:

1.1. define the risks in context of the Company's strategy;

- 1.2. documents risk profiles, including a description of the material risks; and
- 1.3. regularly reviews and updates the risk profiles.

2. Assessment of risks

The Risk assessment methodology shall include:

- 2.1 collection of information;
- 2.2 identification of major risks;
- 2.3 rating of each risk on the basis of: consequence, exposure, probability;
prioritization of risks;
- 2.4 function-wise exercise on risk identification, risk rating, control; and
- 2.5 function-wise setting the level of responsibility and accountability.

3. Measurement & Control:

Identified risks are then analyzed and the manner in which the risks are to be managed and controlled are then determined and agreed. The generally accepted options are:

- 3.1 accepting the risk (where it is assessed the risk is acceptable and where avoiding the risk presents a greater risk through lost opportunity);
- 3.2 managing the risk (through controls and procedures);
- 3.3 avoiding the risk (through stopping the activity);
- 3.4 transferring the risk (through outsourcing arrangements); and
- 3.5 financing the risk (through insurance arrangements).

4. Continuous Assessment:

The Company's Risk Management framework requires continuing cycle of implementing, monitoring, reviewing and managing the risk management processes.

VI. GOVERNANCE STRUCTURE:

The Risk Management Framework shall provide for comprehensive governance detailing the structure, participants, charter, roles and responsibilities, periodicity of meetings and broad contours of the topics that can be discussed in these meetings. The governance structures shall enable oversight on various risks and allow for bubbling up of risks to the right level of leadership including to the Risk Management Committee of the Board.

The Company's Risk Management framework is supported by the Board of Directors, the management of the Company, Audit Committee and Risk Management Committee.

VII. REVIEW OF THE POLICY

The Board will review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

VIII. GENERAL:

This policy adopted by the Board at their meeting held on 11.08.2023. This policy is adopted based on the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and other existing provisions, laws, rules and regulations. Any change in regulatory provisions, rules, and regulations from

time to time, the amended provisions shall prevail upon the corresponding provision of this policy from the effective date of such changes in the provisions.

