Risk Management Policy

of

B.A.G. Films and Media Limited

1. INTRODUCTION

Risk Management is an integral fundamental component of good corporate governance in achieving the company's strategic and operational objectives. It improves decision-making, defines opportunities and mitigate material events that may impact shareholder value.

B.A.G. Films and Media Limited ("the Company") desires to refine its organizational wide capabilities in risk management so as to ensure a consistent, efficient and effective assessment of risk in the achievement of the organization's objectives. It views risk management as integral to its objective of creating and maintaining business continuity, shareholder value and successful execution of its strategies.

2. LEGAL FRAMEWORK

The Companies Act, 2013 ("the Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") have also incorporated various provisions in relation to risk management policy, procedure and practices.

Requirement as per Companies Act, 2013 ('the Act'):

- **Responsibility of the Board**: As per Section 134(3)(n) of the Act, requires the Board of Directors ("the Board") 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 therein 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) (vii) 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 Schedule IV of the Act [Section 149(8)] - Code for Independent Directors II. Role and functions: The independent directors shall: (1) 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; (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

Requirement as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"):

- Regulation 17(9) of the Listing Regulations, requires the Company to lay down procedures about risk assessment and risk minimization.

- Regulation 21 of the Listing Regulations, requires the Risk Management Committee to formulate 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.

In line with the above requirement, it is therefore required for the listed company to frame and adopt a risk management policy.

3. INTRODUCTION

B.A.G. Films and Media Limited, being a listed company, is required to adhere to the regulations made by the both the Companies Act and Listing Regulations governed. Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

The Board of Directors of the Company has adopted the Risk Management Policy ("the Policy") and procedure in compliance with the provisions of the Act and Listing Regulations.

The Company's risk management policy provides the framework to manage the risk associated with its activities. It is designed to identify, assess, monitor and manage risk.

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 constitute risk management committee. As per the amendment, once the provisions of Listing Regulations become applicable to a listed entity on the basis of market capitalisation, it shall continue to apply irrespective of change in the market capitalization.

4. OBJECTIVE

The main objective of this 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 Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues. The specific objectives of this Policy *inter alia* are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

- To establish a framework for identification of 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 Risk Management Committee ("RMC" or "the Committee") for the company's risk management process and to ensure its implementation.

- To measure risk mitigation including systems and processes for Internal Control of identified risks.
- To formulate Business Continuity Plan.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

5. RISK OVERSIGHT

Board of Directors:

The Board shall be responsible for defining the risk management stragety and objectives, overseeing the implementation of the risk management process and setting the tone and culture towards effective risk management. The Board shall define the risk management policy and critically review the risk governance and monitoring mechanism.

The Board shall meet at least once in a year to review the top risks faced by the Company and the status of their mitigation plan. It will also review the Risk Management Policy at least once in two years.

Audit Committee:

Audit Committee shall be entrusted with the responsibility of periodic evaluation of risk management program and provide insight and direction to the risk management committee. The Audit Committee would have an oversight of the management of Operational and Financial Risk faced by the Company. For this, the Audit Committee would rely on the Internal Financial Controls and Internal Audit mechanism put in place by the Company.

Risk management committee:

Risk Management Committee (RMC or the Committee) shall assist the Board in framing policy, guiding implementation, monitoring and reviewing the effectiveness of risk management policy and practices. The RMC shall act as a forum to discuss and manage key strategic and business risk.

The Company is required to lay down the risk identification, assessment and minimization process and inform the Board members about the same. The Board is responsible for reviewing and guiding on the risk management policy of the Company while the Audit Committee of the Board shall continue to be responsible for the evaluation of internal controls and risk management systems in the Company. The Board may delegate the monitoring and reviewing of the risk management plan and such other functions as it may deem fit to RMC and such functions shall specifically cover cyber security risk.

i) Primary Objectives

RMC is a Committee constituted by and accountable to, the Board of the Company. RMC shall assist the Board in monitoring and reviewing;

- The risk management plan;
- The implementation of the risk management framework of the Company;

- Review material risk applicable to the Company;
- The cyber security and personal data protection risk of the Company and;
- Such other functions as the Board may deemed fit, from time to time.

ii) Composition:

The RMC 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 RMC 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 the Secretary to the Committee.

iii) Meetings & Reporting:

a) The RMC should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings.
b) 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 in attendance.
c) All or any members of RMC may participate in a meeting by video conferencing or by other audio-visual means. A member so participating is deemed to be present in person at the meeting and shall also be counted for the purpose of quorum at a meeting of RMC;
d) The Secretary to RMC shall be responsible, in conjunction with the Chairman of RMC, for compiling and circulating the agenda and papers for the meeting.
e) Formal decisions shall be made by a simple majority, in case of equality of votes the Chairman of the meeting shall have a casting vote.
f) The Secretary to RMC shall prepare minutes of all meetings of RMC and shall promptly circulate the same to RMC and the Board for their consideration.
g) RMC shall report the outcome of all its meetings to the Board periodically. RMC shall work closely with the Audit Committee in assessing the risk management system of the Company.

iv) Responsibilities & Authority of the Committee

a) To formulate a detailed risk management policy which shall include the following and recommend the same to the Board for its approval:

(i) A framework for identification of internal and external risks specifically faced by the company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks, reputation risks or any other risk as may be determined by the Committee;

(ii) Measures for risk mitigation including systems and processes for internal control of identified risks; and

(iii) Business continuity plan.

b) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
c) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
d) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

e) To ensure risk assessment and mitigation procedures are implemented which shall include:

- Formulating measures for risk mitigation including systems and processes for internal control of identified risks.
- Ensuring Business continuity plan and Crisis Management Framework.
- Being aware and concurring with the Company's Risk Appetite including risk levels, if any, set for financial and operational risks.
- Ensuring that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both on going and new business activities.
- Being apprised of significant risk exposures of the Company and whether management is responding appropriately to them in a timely manner.
- While reviewing the top risks at function / business unit / company level, critically examine whether the mitigation plans as agreed are on track or not and whether any interventions are required.

f) To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any);

g) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

h) RMC shall have access to any internal information necessary to fulfil its oversight role. It shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

i) RMC shall recommend appointment, removal and fixing of terms of remuneration payable to the Chief Risk Officer (if any).

j) RMC shall have powers to seek information from any employee, obtain external legal or other professional advice and secure attendance of outsiders with relevant expertise, as it deems necessary.

v) Evaluation:

a) RMC may conduct a performance evaluation relative to its purpose, duties, responsibilities and effectiveness and recommend, any changes, it considers necessary for the approval of the Board.

b) The Board may critique such evaluation done by RMC basis the performance and suggest suitable changes to improve effectiveness. The Board shall ensure that RMC is functioning in accordance with its Policy.

c) RMC may conduct such evaluation and reviews at such intervals and in such manner as it deems appropriate.

6. 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 mitigations; 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 of 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.

STEPS IN RISK MANAGEMENT

1. Risk Identification
2. Risk Assessment
3. Risk Analysis
4. Risk Treatment
5. Risk Mitigation
6. Risk - Control and Monitoring

1. RISK IDENTIFICATION

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

2. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

A. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.

- External risks factors:

► Economic Environment
► Political Environment
► Competition
► Fluctuations in trading activities
► Changes in interest rates
► Changes in government policies
► Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.

B. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

- Internal risks factors:

► Project Execution
► Contractual Compliance
► Operational Efficiency
► Hurdles in optimum use of resources
► Quality Assurance
► Environmental Management
► Human Resource Management

- Culture and values

Operational risk –Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

Financial risk – The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, 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 modelling and the currency fluctuations be examined regularly.

Sectoral risk - The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

Other Examples of identified risks are as follows:
- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Its products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
- Its risk management methods and insurance policies not being effective or adequate
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

3. RISK ANALYSIS
Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as "high" or "very high" criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

4. RISK TREATMENT – MITIGATION
To ensure that the above risks are mitigated, the Company will strive to:

1. Involve all functions in the overall risk identification and mitigation exercise;

2. Link the risk management process to the strategic planning and internal audit process;
3. The Risk Management Committee shall have access to all information necessary to fulfill its responsibilities. It has the 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;
4. The Risk Management Committee may in its judgment periodically commission risk management analysis of the Company;
5. Adequate disclosures pertaining to the risks (including commodity risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

5. CONTROL AND MONITORING MECHANISM

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigatedtheir status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

7. BUSINESS CONTINUTY 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.

8. 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, judgement and knowledge

9. 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 and 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.

10. AMENDMENTS

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent 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.