Shiprocket Pvt. Ltd.

Risk Management Policy

Version 3.0

Revision Record Sheet

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1.0	Nov 29, 2022	Legal Team	First Issue
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Review and Approval

Version No.	Date	Reviewed/Approved by
1.0	Nov, 2022	Risk Management Committee
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1. Introduction

1.1 Purpose

The Risk Management Policy ("RM Policy") sets forth the authority and scope of the Risk Management Committee and documents the standards and guidelines to be followed by Shiprocket Group. This Policy has been developed considering COSO:2017 standard requirements and leading practices with an aim to address all important and essential aspects involved in Risk Management.

RM Policy is the principal document defining all components of the Risk Management Framework ("RM Framework") of Shiprocket Group. It serves as a point of reference for employees implementing the RM Framework, performing any risk management activities and providing assurance over functioning of the RM Framework.

The purpose of this Policy is to:

- Support a common understanding among Shiprocket Group employees regarding risk management activities at Shiprocket Group; and
- Denote the structure and process established to oversee, direct and manage Shiprocket Group's risk management activities with the objective of achieving its efficiency and effectiveness.

1.2 Roles and responsibilities

Risk Management Committee is the owner of this Policy. This Policy will be reviewed and updated by RM Department as deemed necessary.

Refer to "RM Framework Manual" for the specific roles and responsibilities of various stakeholders participating in the risk management process.

1.3 References

- COSO:2017 Enterprise Risk Management–Integrating with Strategy and Performance
  - RM Framework
  - Components of RM Framework
  - Principles of RM Framework
- Risk Management Policy Statement
- Risk Management Procedure Manual
- Risk Registers

1.4 Scope

This policy is applicable to Shiprocket Pvt Ltd. and Group companies (Pickrr, Omuni, Shiprocket Singapore, ONDC, Shiprocket Inc. USA and Shiprocket DMCC) employees implementing the RM Framework, performing any risk management activities and providing assurance over functioning of the RM Framework.

1.5 Regulatory Requirement

A. The Companies Act, 2013 casts the following obligations to be met with respect to the Risk Management Framework –

Sr. No.	Responsibility Cast on:	Obligation	Section / Reference
1.	Board	The report of the Board of Directors must include status of the "Risk Management Policy" for the Company, including highlighting risks that may threaten the existence of the Company.	134 (n)
2.	Audit Committee	Audit committee is required to evaluate the Risk Management Systems of the Company.	177(4)(vii)
3.	Independent Directors	The Independent Directors are required to satisfy themselves that the systems of risk management are robust and defensible.	Schedule IV [Part II-(4)]

B. The SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 casts the following obligation to be met with respect to the Risk Management Framework-

Sr. No.	Responsibility Cast on:	Obligation	Section / Reference
1.	Board	To review and provide guidance for risk policy and ensure that appropriate 'Risk Management' systems are in place.	Regulation 4 (2) f (ii) (1)
2.	Company	Lay procedures to inform Board about risk assessment and minimization procedures	Regulation 17 (9) (a)
3.	Board	Framing, implementing and monitoring of Risk Management Plan	Regulation 17 (9) (b)
4.	Audit Committee	The Audit committee is required to evaluate the risk management systems	Regulation 18 (3) Part C A (11)
5.	Board	Formation of 'Risk Management Committee (RMC)' for monitoring and reviewing the Risk Management Plan and define its roles and responsibilities	Regulation 21 (1) & (4)
6.	RMC	The RMC should meet at least once in a year	Regulation 21 (3A)

* **Note: -** SEBI Regulations 2015 are not applicable to Shiprocket Group.

1.6 Definition of Risk Management

Enterprise risk management is defined here as:

The culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value.

A more in-depth look at the definition of enterprise risk management emphasizes its focus on managing risk through:

- Recognizing culture.
- Developing capabilities.
- Applying practices.
- Integrating with strategy-setting and performance.
- Managing risk to strategy and business objectives.
- Linking to value.

2. Risk Management Function

2.1 Vision, Mission & Objectives

- **Vision:** To democratize E-Commerce and deliver delightful experiences to everyone.
- **Mission**: To create an E-commerce enablement ecosystem that leverages data, workflows and supply chain at scale to make eCommerce open, simple and trustworthy for everyone.
- **Objectives**: To proactively identify, assess, and manage risks that could hinder the development and scaling of a trustworthy, open, and simplified E-commerce ecosystem. ERM ensures that all potential threats to the platform's data integrity, workflow efficiency, and supply chain scalability are mitigated, enabling a seamless and delightful experience for all stakeholders.

2.2 Risk Management Governance Structure

Below depicts the governance structure for RM Process in the Shiprocket Group. Refer to "RM Framework Manual" for the detailed roles and responsibilities and accountability matrix of each of the stakeholders participating in the RM Process.

3. Risk Management Framework

Shiprocket Group's RM Framework provides the foundations and arrangements that will embed risk management throughout the organization. It assists in managing risks effectively through the application of RM process at varying levels and within the context of Shiprocket Group. Further, it allows information derived from the RM process to be reported and used as basis for decision making and accountability at all relevant organizational levels.

3.1 Components of Risk Management Framework

3.1.1 Governance and Culture:

Governance and culture together form a basis for all other components of enterprise risk management. Governance sets the entity's tone, reinforcing the importance of enterprise risk management, and establishing oversight responsibilities for it. Culture is reflected in decision-making.

3.1.2 Strategy and Objective-Setting:

Enterprise risk management is integrated into the entity's strategic plan through the process of setting strategy and business objectives. With an understanding of business context, the organization can gain insight into internal and external factors and their effect on risk. An organization sets its risk appetite in conjunction with strategy-setting. The business objectives allow strategy to be put into practice and shape the entity's day-to-day operations and priorities.

3.1.3 Performance:

An organization identifies and assesses risks that may affect an entity's ability to achieve its strategy and business objectives. As part of that pursuit, the organization identifies and assesses risks that may affect the achievement of that strategy and business objectives.

It prioritizes risks according to their severity and considering the entity's risk appetite. The organization then selects risk responses and monitors performance for change. In this way, it develops a portfolio view of the amount of risk the entity has assumed in the pursuit of its strategy and entity-level business objectives.

3.1.4 Review and Revision:

By reviewing enterprise risk management capabilities and practices, and the entity's performance relative to its targets, an organization can consider how well the enterprise risk management capabilities and practices have increased value over time and will continue to drive value considering substantial changes.

3.1.5 Information, Communication, and Reporting:

Communication is the continual, iterative process of obtaining information and sharing it throughout the entity. Management uses relevant information from both internal and external sources to support enterprise risk management. The organization leverages information systems to capture, process, and manage data and information. By using information that applies to all components, the organization reports on risk, culture, and performance.

3.2 Principles of Risk Management Framework

3.2.1 Principles relating to Governance and Culture:

Principle 1: Exercises Board Risk Oversight

The board of directors provides oversight of the strategy and carries out governance responsibilities to support management in achieving strategy and business objectives.

Principle 2: Establishes Operating Structures

The organization establishes operating structures in the pursuit of strategy and business objectives.

Principle 3: Defines Desired Culture

The organization defines the desired behaviors that characterize the entity's desired culture.

Principle 4: Demonstrates Commitment to Core Values

The organization demonstrates a commitment to the entity's core values.

Principle 5: Attracts, Develops, and Retains Capable Individuals

The organization is committed to building human capital in alignment with strategy and business objectives.

3.2.2 Principles relating to Strategy and Objective Setting:

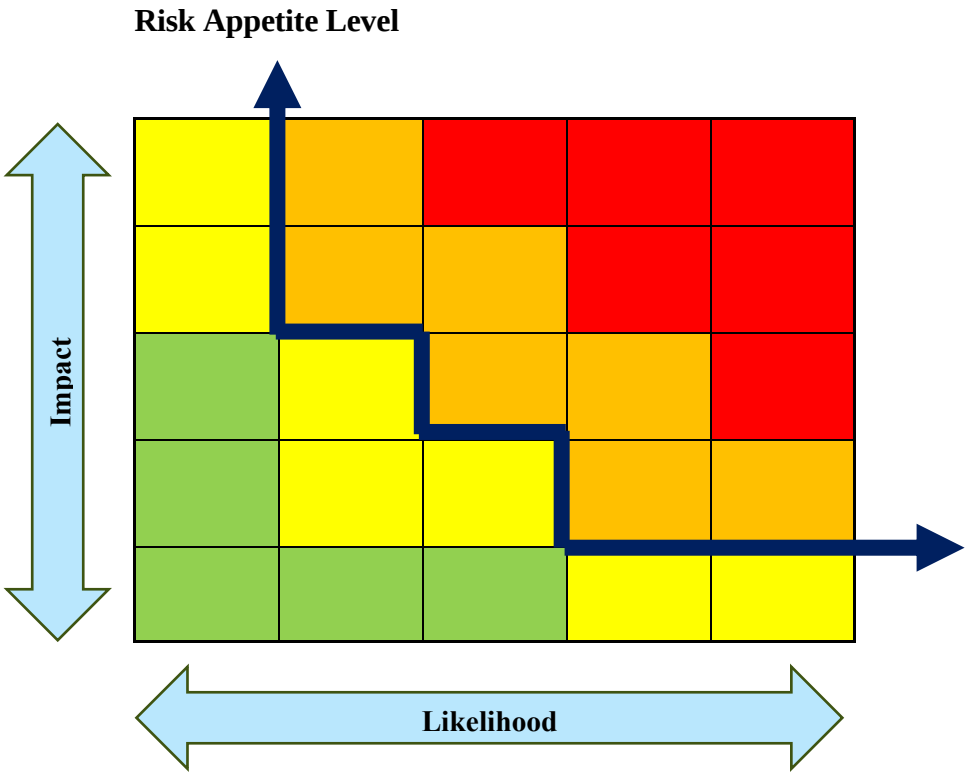
Principle 6: Analysis Business Context

The organization considers potential effects of business context on risk profile.

Principle 7: Defines Risk Appetite

The organization defines risk appetite in the context of creating, preserving, and realizing value.

Risk Appetite at Shiprocket Group will provide direction and boundaries on the risk that can be accepted at various levels within the organization.



Principle 8: Evaluates Alternative Strategies

The organization evaluates alternative strategies and potential impact on risk profile.

Principle 9: Formulates Business Objectives

The organization considers risk while establishing the business objectives at various levels that align and support strategy.

3.2.3 Principles relating to Performance:

Principle 10: Identifies Risk

The organization identifies risk that impacts the performance of strategy and business objectives.

Risks may be classified into broad categories as below:

Sr. No.	Risk Category	Risk Description
1.	**Strategical**	Risks that impact achievement of the company's vision and goals.
2.	**Reputational**	Risks that adversely impact the reputation of the company among its stakeholders (customers, investors, employees, suppliers and regulators) due to actions of the company, its employees or its partners.
3.	**Financial**	Risks that impact financial performance and profitability of the company and impair its assets.
4.	**Operational**	Risks that affect the efficiency and effectiveness of operations or are disruptive to operations.
5.	**Legal & Compliance**	Risks that affect adherence to applicable laws and regulations.
6.	**IT & Cyber Security**	Risks that affect integrity of data, and impact system capability and reliability.

Principle 11: Assesses Severity of Risk

The organization assesses the severity of risk.

Likelihood Matrix-

Likelihood of Risks	Degree	Expected occurrence in the future	Occurrence in the past
Very likely	Most likely to occur	Expected to occur at least once in 1 year	Similar instances have commonly occurred in Shiprocket Group
Likely	More likely to occur than not	Expected to occur in every 2-5 years	Similar instances have occurred several times in Shiprocket Group
Possible	Likely to occur	Expected to occur in every 6-10 years	Small number of similar instances have occurred within Shiprocket Group
Unlikely	More unlikely to occur than not	Expected to occur in every 11-20 years	Similar instances have occurred in E-Commerce Industry several times, but only once/never to Shiprocket Group
Very unlikely	Most unlikely to occur	Not likely to occur in next 20 years	Similar instances have occurred only once/never in the E-Commerce Industry before

Impact Matrix-

Impact of Risks	Strategical Risks
Severe	i) Multiple Shiprocket Group objectives not being met, or ii) Delay for the completion of a strategic corporate program of more than 3 months
Significant	i) One Shiprocket Group objective not being met, or ii) Delay for the completion of a strategic corporate program of between 1 and 3 months
Moderate	i) Moderate impact on one or more Shiprocket Group objectives, or ii) Delay for the completion of a strategic corporate program of between 2 and 4 Weeks
Minor	i) Minor impact on one or more Shiprocket Group objectives, or ii)Delay for the completion of a strategic corporate program of between 1 and 2 weeks
Negligible	i) No impact on Shiprocket Group objectives, or ii) Delay for the completion of a strategic corporate program of less than a week

Impact of Risks	Reputational Risks
Severe	i) Negative long-term impact on brand positioning and reputation. Loss of trust, credibility and perceived transparency, or ii) Loss of government or key stakeholder confidence and support, or iii) Adverse and prolonged local and international media coverage
Significant	i) Negative medium-term impact on brand positioning or reputation, or ii) Reduced Government or key stakeholder support, or iii) Adverse medium-term media coverage, either local or international
Moderate	i) Negative short-term impact on reputation, reduced credibility, or ii) Major stakeholder concern, without lasting detriment, or iii) Short-term adverse local media coverage
Minor	i) Minor short-term impact on reputation, or ii) Minor stakeholder concern, or iii) Minor adverse local media coverage
Negligible	i) Negligible impact on reputation, or ii) Negligible stakeholder concern, or iii) No adverse media coverage

Impact of Risks	Financial Risks
Severe	i) More than 5 crores or more than 1% of turnover, whichever is higher, or ii) More than 2 crores or more than 2.5% of profit or loss, whichever is higher iii) Any Fraudulent Activity.
Significant	i) Between 4 crores and 5 crores or between 0.75% and 1% of turnover, whichever is higher, or ii) Between 1.6 crores and 2 crores or between 2% and 2.5% of profit or loss, whichever is higher.
Moderate	i) Between 3 crores and 4 crores or between 0.50% and 0.75% of turnover, whichever is higher, or ii) Between 1.2 crores and 1.6 crores or between 1.5% and 2% of profit or loss, whichever is higher.
Minor	i) Between 2 crores and 3 crores or between 0.25% and 0.50% of turnover, whichever is higher, or ii) Between 0.8 crores and 1.2 crores or between 1% and 1.5% of profit or loss, whichever is higher.
Negligible	i) Between 1 crore and 2 crores or between 0.01% and 0.25% of turnover, whichever is higher, or ii) Between 0.4 crores and 0.8 crores or between 0.5% and 1% of profit or loss, whichever is higher.

Impact of Risks	Operational Risks
Severe	i) Severe interruption of critical business operations for more than 1 day.
Significant	i) Severe interruption of critical business operations for less than 1 day
Moderate	i) Moderate disruption of critical business operations for less than 1 day
Minor	i) Disruption of non-critical business operations for less than a week
Negligible	i) Disruption of non-critical business operations within acceptable limits

Impact of Risks	Legal & Compliance Risks
Severe	i) Breach of contract with a severe long-term effect on Shiprocket Group, or ii) Legal action against Shiprocket Group in front of Penal Court iii) Any Breach of law resulting in Imprisonment.
Significant	i) Breach of contract with significant long-term effects, or ii) Significant legal action against Shiprocket Group in front of civil court potentially leading to penal case
Moderate	i) Breach of contract with significant medium-term effects, or ii) Moderate legal action against Shiprocket Group in front of civil court
Minor	i) Breach of contract with short to medium-term effects, or ii) Minor legal action against Shiprocket Group in front of civil court
Negligible	i) Breach of contract with a negligible effect, or ii) Claim being negligible, settled amicably.

Risk Score Map-

Risk Score (A x B)		Impact (A)				
		Negligible (1)	Minor (2)	Moderate (3)	Significant (4)	Severe (5)
Likelihood (B)	Very Likely (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Possible (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
	Very Unlikely (1)	1	2	3	4	5

Risk Rating Map-

Risk Rating		Impact (A)				
		Negligible	Minor	Moderate	Significant	Severe
Likelihood (B)	Very Likely	Medium Risk	High Risk	Critical Risk	Critical Risk	Critical Risk
	Likely	Medium Risk	High Risk	High Risk	Critical Risk	Critical Risk
	Possible	Low Risk	Medium Risk	High Risk	High Risk	Critical Risk
	Unlikely	Low Risk	Medium Risk	Medium Risk	High Risk	High Risk
	Very Unlikely	Low Risk	Low Risk	Low Risk	Medium Risk	Medium Risk

Critical Risk	Unacceptable risk requiring CXO attention at holding level and reported to the Risk Management committee. Risk treatment actions must be taken immediately to treat the risk to keep it as low as reasonably possible. If risk is not treated to an acceptable level, it must be eliminated.
High Risk	Risk which requires management attention at subsidiary and/or departmental level respectively. Risk treatment actions must be taken to treat the risk to keep it as low as reasonably possible.
Medium Risk	Risk being managed at department and subsidiary level. The risk is accepted if adequate assurance, controls and other internal treatments are in place. The risk is monitored to be kept under control and additional control measures may be implemented to further treat the risk.
Low Risk	Risk being managed at department and subsidiary level. The risk is acceptable. Periodic assessment of effective assurance including controls are performed.

Principle 12: Prioritizes Risks

The organization prioritizes risks as a basis for selecting responses to risks.

Principle 13: Implements Risk Responses

The organization identifies and selects risk responses.

Principle 14: Develops Portfolio View

The organization develops and evaluates a portfolio view of risk.

3.2.4 Principles relating to Review and Revision:

Principle 15: Assesses Substantial Change

The organization identifies and assesses changes that may substantially affect strategy and business objectives.

Principle 16: Reviews Risk and Performance

The organization reviews entity performance and considers risk.

Principle 17: Pursues Improvement in Enterprise Risk Management

The organization pursues improvement of enterprise risk management.

3.2.5 Principles relating to Information, Communication and Reporting:

Principle 18: Leverages Information and Technology

The organization leverages the entity's information and technology systems to support enterprise risk management.

Principle 19: Communicates Risk Information

The organization uses communication channels to support enterprise risk management.

Principle 20: Reports on Risk, Culture, and Performance

The organization reports on risk, culture, and performance at multiple levels and across the entity.