



**ELECTRONIC PAYMENT AND SERVICES (P) LTD**  
*A payment system company*

## **RISK MANAGEMENT POLICY**

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## **RISK MANAGEMENT POLICY**

### **1. Introduction:**

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

Electronic Payment and Services (P) Ltd (the “Company”) recognizes that enterprise risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

### **2. Policy Overview:**

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.

### **3. Risk Management Framework:**

#### **3.1 Risk Management Structure:**

The Audit Committee of Directors shall periodically review the risk management policy of the Company and evaluate the risk management systems so that management controls the risk through a properly defined network.

Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

#### **3.2 Risk Management Program:**

The Company’s risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of its Board of Directors to oversee and manage the risk management program, while conferring responsibility and authority on the Company’s senior management to develop and maintain the risk management program in the light of the day-to-day needs of the Company. Regular communication and review of the risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program

### **3.3 Risk categories & Mitigation Measures:**

The following broad categories of risks have been considered in the risk management framework:

**Technology Risk:** Unforeseen changes in regulations, standards and technology are the biggest risks, though by their very nature, such risks are difficult to quantify. Changes in the regulations pertaining to PKI and e-security may render some of the products irrelevant to the customer and can cause a dent in future revenue.

**Mitigation:** While compliance is a major selling point for our products, almost all of our products also address very important security needs for the customer. The management also plays an active role in monitoring e-security regulations and making appropriate changes to the product base to keep them relevant.

Major technological breakthroughs that render current cryptographic techniques for protecting information obsolete are another concern for long-term business continuity. However, the senior management are constantly on guard for such indicators.

**Cyber threats:** As our products are used to protect transactions and sensitive customer data, the associated risks due to evolving cyber threats will always be a concern.

**Mitigation:** However, this risk is mitigated by constantly reengineering the products in response to such threats.

**Company size and resource risk:** Certain problems are faced by the Company in taking advantage of large opportunities due to Company size and resource limitations.

**Mitigation:** Such problems are addressed through active partnership with large vendors and system integrators. Leveraging such opportunities through our partners keeps us relevant in the market and provides brand visibility.

**Receivables Risk:** Since the Company is engaged in the business of providing technology and related services, risks associated with timely collection of payments from the customers will always be a concern. The Company enters into Service Agreement with its customers, where terms of payment and the payment process adopted by the customer is clearly defined. Any deviation from the terms of agreement or delay in receiving payments from customers owing to some delivery/product issues is a major risk.

**Mitigation:** The management takes stock of the receivables, exceeding beyond 90 days and takes necessary measures to recover payments from customers. Sending regular intimations to the customers for recovery of dues or discontinuing services are some measures adopted by the Company depending upon situation. An efficient receivables collection process has helped minimize this risk to a large extent.

***Human Resource Risk:*** Employability risk, viz., attracting the right talent for the right role and attrition risk are two human resource risks faced by the Company. The attrition risk is not just restricted to losing talent (after providing them all the necessary training for the job) but additionally the Company has to absorb the attrition cost as well.

***Mitigation:*** The staff compensation levels are almost on par with the best in the domestic industry. All efforts are made to ensure an innovative work environment to all our employees. The senior management strives to keep the attrition levels under reasonable control.

The Company has been continuously strengthening its internal HR processes to hold on to the critical employees and create a reserve of abundant talent.

#### **4. Oversight and Key Risk Management Practices:**

##### ***A. Board***

The Board is responsible for framing, implementing and monitoring the risk management plan for the Company. The audit committee or management may also refer particular risk management issues to the Board for final consideration and direction.

##### ***B. Audit & Risk Committee***

The audit committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the audit committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks; and

- ensuring compliance with regulatory requirements and best practices with respect to risk management.

### ***C. Senior management***

The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the Company.

Senior management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, senior management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior management should report regularly to the Board regarding the status and effectiveness of the risk management program.

### ***D. Employees***

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

## **5. Review of risk management program**

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, audit committee and senior management aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of senior management and audit committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of the risk management program and audit committee, senior management and employees responsible for its implementation.

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