

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

RISK MANAGEMENT POLICY

INTRODUCTION

Kovai Medical Center and Hospital Limited (“Company”) considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company’s ability to identify and address risk is central to achieving its corporate objectives.

The Company’s Risk Management Policy (“the Policy”) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

OBJECTIVE OF THE POLICY

Kovai Medical Center and Hospital Limited adopts a comprehensive Risk Management Policy with the following Objectives:

- Ensuring sustainable business growth with stability.
- To promote a pro-active approach in reporting, evaluating and resolving risks associated with the business.
- Better management at all levels through improved decision making.
- Promote a more risk aware culture in pursuit of opportunities to benefit the organization.

DEFINITIONS

- “Audit Committee” means “Audit Committee” constituted by the Board of Directors of the Company under Section 177 of the Act and the provisions of Listing Regulations, from time to time.
- “Board” means Board of Directors of Kovai Medical Center and Hospital Limited.

- “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.
- “Risk Management” means the systematic process of identifying, analysing, and responding to anticipated future events that have the potential to generate unwanted effects.

RISK MANAGEMENT FRAMEWORK PROGRAM

The Company’s risk management program comprises of 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.

The Company’s approach to risk management is summarized as below:

Identification of risks

This involves continuous identification of events that may have negative impact on the Company’s ability to achieve goals. Identification should include all risks whether or not they are under the control of the Company. Effective strategies for exploiting opportunities are being evolved by identifying key risks and plans for managing it.

CATEGORIES OF RISK

Recognizing the kind of risks that Company is/may be exposed to, risks will be classified broadly into the following categories:

1. **Strategic Risk:** include the range of external events and trends (like Government policy, competition, Political and economic instability, Market Dynamism, International economy, Foreign Currency risk) that can adversely impact the Company’s strategic growth trajectory and destroy shareholder value.
2. **Business Risk:** include the risks associated specifically with the Company and having an adverse impact on the company’s capability to execute activities critical for business growth, thereby affecting its near-term performance.
Business Risk includes;
 - a) **Concentration risk:** It is defined as probability of loss arising from heavily lopsided exposure to a particular group of counterparties.
 - b) **Competition risk:** It is defined as probability of loss from decline in a firm’s competitiveness on account of rivalry.

3. **Operational Risk:** are those risks which are associated with operational uncertainties, like
 - a) Patient Care deficiencies
 - b) Lack of Good Doctors and supporting staff
 - c) Lack of good infrastructure, equipment and machines
 - d) Risks associated with computer and communications hardware, software and data, e.g. obsolescence, security, availability, access, back-up, etc.
4. **Compliance risk:** Compliance risks are those associated with the need to comply with laws and regulations. They also apply to the need to act in a manner which investors and customers expect, for example, by ensuring proper corporate governance. Risks arising from non-compliance with existing laws and regulations or the potential adverse impact of a change in rules and regulations, e.g. Health & Safety, Environmental, Labour Laws, Food & Safety Laws, Drugs, Concession and Permit requirements, etc.
5. **Financial risk:** Financial Risk includes:
 - a) Credit risk It is defined as probability of loss arising from a Debtor's default on account of non-payment of financial consideration.
 - b) Treasury/foreign exchange risk It is defined as probability of loss occurring from an adverse movement in foreign exchange rate.
6. **Environmental risks,** including pollution control measures of the Government. The potential for adverse effects and damage on living organism / human life associated with pollution of the environment by effluents, emissions, wastes, or accidental chemical releases; energy use; or the depletion of natural resources.
7. **Health and safety risks** includes risk of food adulteration, accident / Incident that results in injury, illness, disease, damage or loss at workplace.
8. **Risks related to Financial Reporting / Ineffective Controls** includes non-compliance of Accounting Standard Ineffective Controls resulting in frauds, errors, non-compliance of laws / Company policies.

Assessment and Evaluation of risks

The Risk assessment methodology shall include:

- collection of information;
- rating of each risk on the basis of Consequence, Exposure, Probability;
- prioritization of risks;
- function-wise exercise on risk identification, risk rating, control;
- function-wise setting the level of responsibility and accountability.

Risk Analysis

Identified risks are then analysed and the manner in which the risks are to be managed and controlled are then determined and agreed. 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.

Escalation of risks

It is critical to institute an effective system of escalation which ensures that specific issues are promptly communicated and followed up appropriately. Every employee of the Company has the responsibility of identifying and escalating the risks to appropriate levels within the organization. The Risk Management committee will determine whether the risk needs immediate escalation to next level or it can wait till subsequent periodic review.

Monitoring Mechanism

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

GOVERNANCE AND MANAGEMENT STRUCTURE

Board of Directors

The Board of Directors (“the Board”) is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committee. The Committee may also refer particular issues to the Board for final consideration and direction.

Risk Management Committee

The day to day oversight and management of the Company’s risk management program has been conferred upon the Chief Risk Officer (CRO) designated by the Committee. The Chief Risk Officer and the 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 of Directors on the effectiveness of the risk management program in identifying and addressing material business risks.

The Risk Management Committee shall consist of majority of members from the Board of Directors of the Company and senior executives of the Company. The chairman of the committee shall be a member of the Board of Directors. The composition of the Risk Management Committee needs to be proposed and approved by the Board of Directors.

AMENDMENT

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