

# ENTERPRISE RISK MANAGEMENT POLICY (Global)

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<b>Version:</b> 3.2	<b>Process Owner</b> Risk Management (I-ARM team)	<b>Reviewed by</b> SVP – Internal Audit and Risk Management	<b>Approved by</b> Risk Management Committee

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## 1. Purpose and Objectives

The risk management policy sets out the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the corporate culture.

The formulation and authorization of the risk policy at corporate level illustrates executive management's commitment to implement and continuously develop risk management within the company.

The purpose of this policy statement is to outline guidelines mandated by Firstsource's Board of Directors/Risk Management Committee/ Executive Management in the identification, assessment, measurement, monitoring and reporting of all risks associated with the activities conducted by the organization. The policy statement is designed to specifically address the responsibilities and requirements of the management of Firstsource as they fulfill their risk management duties.

The policy has been approved by the Management / Risk Management Committee of BoD, Firstsource and is subject to on-going review when conditions warrant and at least on an annual basis.

The Risk Management Policy does not replace any of the existing policies.

### **The policy statement sets forth the following Risk Management objectives:**

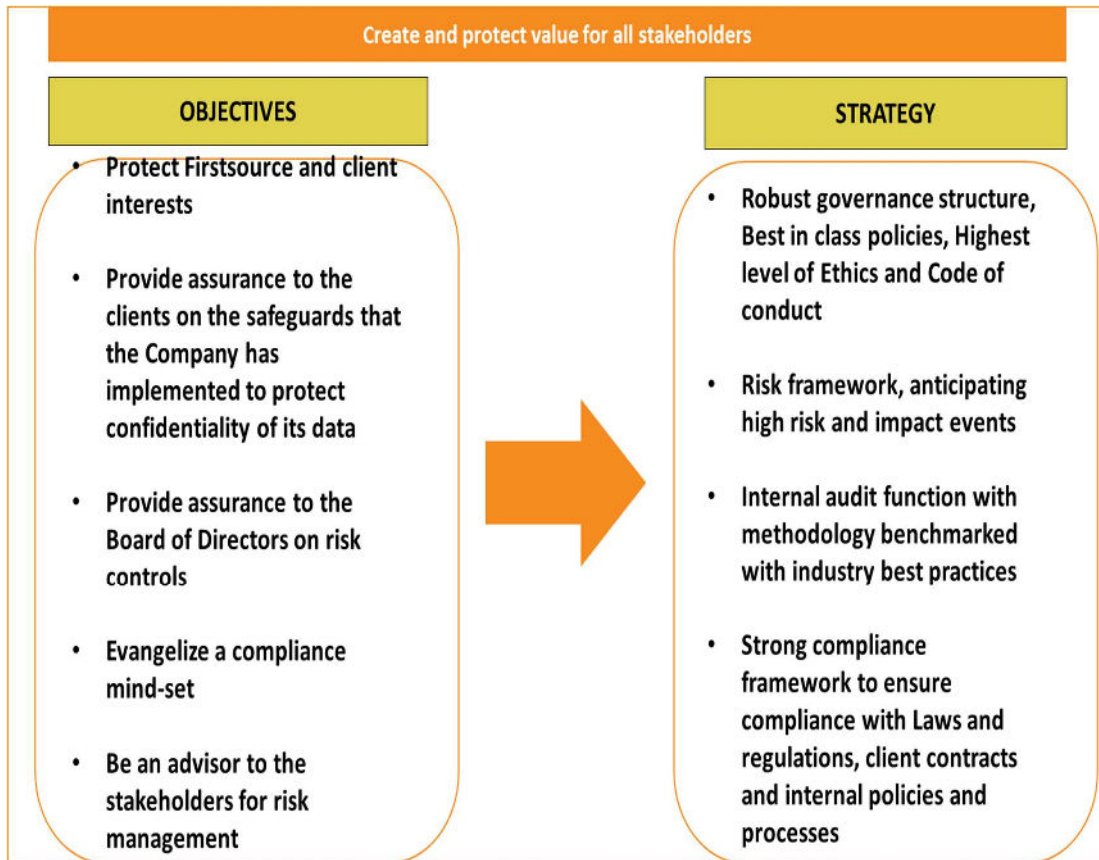
- Identify, assess, and report existing, and new risks associated with Firstsource's activities in a structured manner. This will facilitate timely and effective management of risks and opportunities and facilitate achievement of Firstsource's objectives
- Inculcate a culture that encourages all staff to identify risks and opportunities and respond to them effectively

### **To achieve the above objectives Firstsource aims to ensure that:**

- All risks are identified continuously
- All risks are assessed for impact, likelihood and exposure relating to achievement of Firstsource 's objectives
- Risk response strategy is formulated for key risks by management
- Information on risks and the response strategy is escalated in a timely manner to facilitate decision-making
- Risk Owners are identified and are engaged in risk management activities within their areas of responsibility

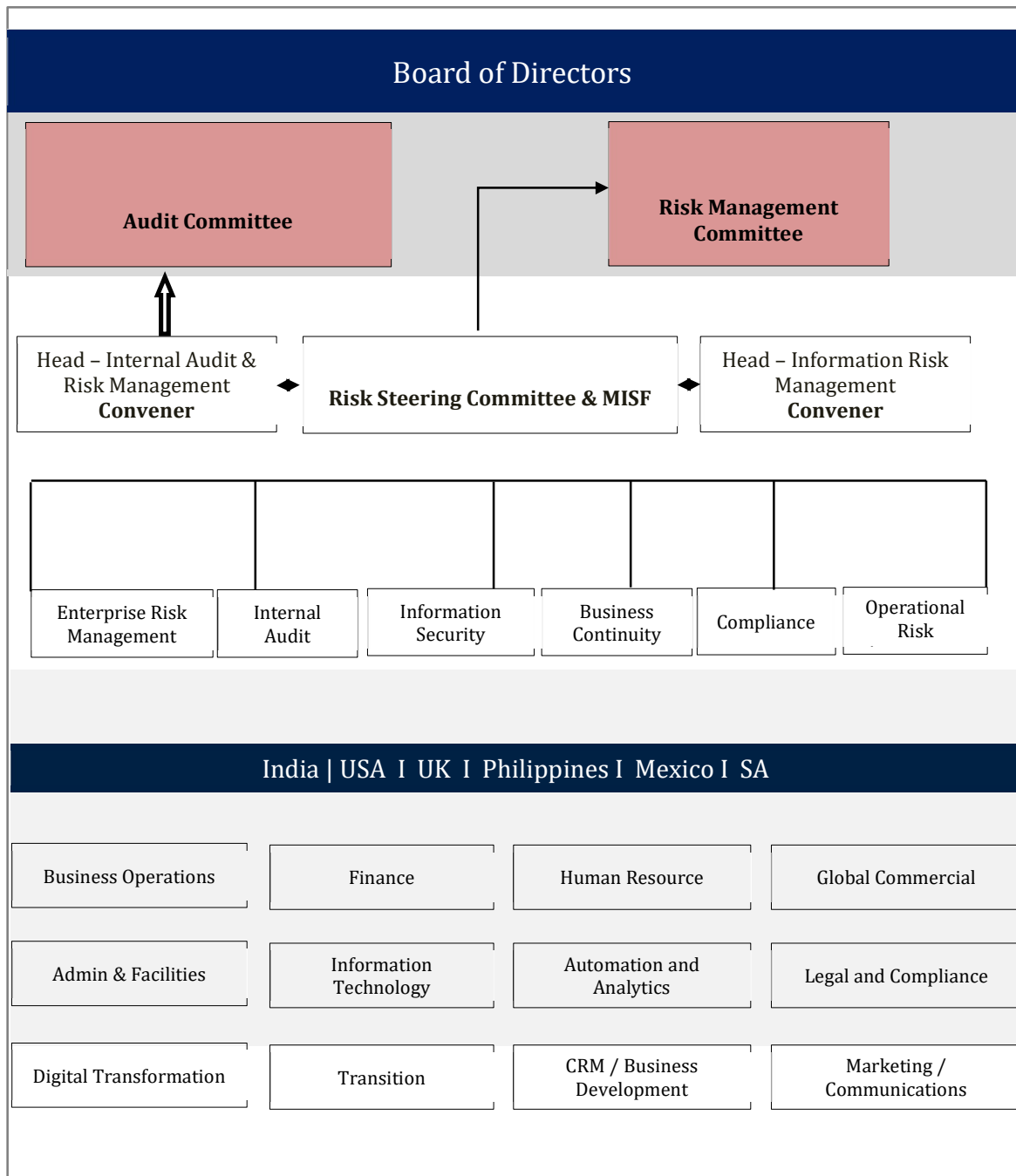
The Executive level Risk SteerCo and Board level Risk Management Committee monitors and reports the existence, adequacy, and effectiveness of the above process to the Board on a periodic basis.

## 2. Scope Enterprise Risk Management – Strategic Intent



The Company strives to dynamically update the risk framework as per the changing business needs and objectives as well as external environment.

### 3. Risk Management Governance Structure



A robust organizational structure for managing and reporting on risks is a pre-requisite for an effective risk management process.

The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers. They are best positioned to

identify the opportunities and risks they face, evaluate these and manage them on a day-to-day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors/Audit Committee who has the sole responsibility for overseeing all risks. The structure and roles and responsibilities of the risk organization at Firstsource will be as follows.

## 4. Roles and Responsibilities of Risk Management Organization

Level	Roles and Responsibilities
Board of Directors	<ul style="list-style-type: none"> <li>Approve key business objectives and create a mechanism to ensure the executive management effectively manages risks impacting the business.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>Provides oversight on the internal control environment and review of the independent assurance activities performed by the internal auditors.</li> <li>Reviews proper resourcing of internal Audit team</li> </ul>
Risk Management Committee	<ul style="list-style-type: none"> <li>The committee assists the Board in fulfilling its risk management and risk governance oversight responsibilities, monitors and reviews the risk management practices.</li> </ul>
Risk SteerCo & MISF	<ul style="list-style-type: none"> <li>To ensure the implementation of and compliance with the objectives set out in the ERM policy</li> <li>To provide oversight on company's Information Security program and practice and ensure implementation of and compliance with the objectives set out in various Information security / data privacy / cyber security policies</li> </ul>
Business Heads / Function Heads	<ul style="list-style-type: none"> <li>Owns &amp; Manage risks at business unit level that may arise from time to time in consultation with the Risk Committee and abide by the Company's risk policies.</li> </ul>
Risk Management Team	<ul style="list-style-type: none"> <li>Identifies, assesses, mitigates, and monitors risks through risk registers, risk model mapping, and continuous engagement with business heads developing mitigation strategies and publishing risk dashboards.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>Drives comprehensive regulatory and contractual compliance management processes, reports exceptions and creates awareness about such obligations.</li> <li>Additionally, compliance drives standards of corporate governance through global ethics, anti-fraud, anti-money laundering and anti-bribery frameworks.</li> </ul>

	<ul style="list-style-type: none"> <li>• Safeguards organizational interests covering contract documentation, litigation management and advisory.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Provides independent and objective assurance on the controls to the Board and Audit Committee and enables sharing of best practices across geographies, businesses and functions.</li> </ul>

## 5. Risk Monitoring Framework

Firstsource’s Risk Management framework is designed and implemented based on COSO Framework (Committee of Sponsoring Organizations) which is globally accepted and recognized framework that provides guidance and thought leadership on enterprise risk management & internal controls. Enterprise Risk Management at Firstsource seeks to minimize adverse impact of risks on key business objectives and enables the Company to leverage market opportunities effectively. These risks are continuously tracked with the help of Key Risk Indicators (KRI’s) defined by the risk management team & Risk Owners.

## 6. Risk Management Process:

Risk Management is a continuous interplay of actions that penetrate the Company. It is affected by the Company’s Board of Directors, management, and other personnel. The risk management process of the Company aims at providing reasonable assurance regarding achievement of the Company’s objectives.

The Risk Management process consists of the following activities:

### (i) Risk Identification

The risk management process starts with the systematic identification of key risks. Only if such risks are recognized in a timely manner can they be successfully managed.

A prerequisite for efficient risk identification and subsequent risk evaluation is a consistent and comprehensive understanding of business objectives and strategies. Based on these targets, potential opportunities and threats can be identified, which may lead to a deviation from objectives or plans.

The Risk Identification has been done by interviewing the senior leadership. Based on discussion with senior leadership and in guidance with the steering committee ERM parameters will be identified, goals have been set against each parameter and Risk scales have been defined.

From FY 2024, we have adopted the principles of “double materiality” to identify the topics that are most material to Firstsource and also to create a linkage between the materiality process and the enterprise risk management framework.

Double materiality essentially considers:

- In what ways the operation of the company affects the larger environment and community (social) within which the company operates in. This is an “inside out approach” and the topics identified are treated as “impact materiality”. Identification of impact materiality will allow the company in future to further quantify the impact its operations has on society and environment
- In what ways, external factors might affect the company’s business (finances). This is an “outside in” approach and the topics identified as treated as “financial materiality”. The assessment of financial materiality enables linkage of the topics with the company’s business risk

The adoption of double materiality principle also helps us align the materiality & risk management process with some of the leading ESG ranking frameworks such as the Dow Jones Sustainability Index – Corporate Sustainability Assessment (DJSI – CSA) and is in line with the evolving thought around materiality by regulators and standard setters alike..

Further, Top Risks at Organizational level are also identified in discussion with Senior leadership and Risk Management Committee. These are monitored for mitigation and reporting to Risk SteerCo and Risk Management Committee.

## (ii) Risk Assessment

Once risks are identified, they are **evaluated or assessed** through brainstorming, i.e., the impact of the risk is quantified to determine its potential effect on the profit and its probability of occurrence. The key objective is to measure the relative importance of risks, which enables prioritization and focus on important risks.

Key risks impacting achievement of objectives for the year have been assessed for impact and likelihood using a combination of qualitative and quantitative factors using a 3-point scale.

The quantitative and qualitative parameters using a 3-point scale will be used to make the assessment for new risks identified during the year. The assessment will take into consideration the risk tolerances that have been defined for the achievement of the Company’s objectives.

Each risk will be assessed for impact (materiality of the risk if it occurs) and likelihood (at an agreed level of impact, the probability of the event taking place). These two parameters determine the importance of risk to the organization. Based on the impact and likelihood the risk exposure is categorized into three categories –



Level 1, Level 2, Level 3, and Level 4

Risks are categorized based on the risk quadrant below:

		Likelihood		
		Unlikely	Possible	Most Likely
Impact	Very High	Level-3	Level-4	Level-4
	High	Level-2	Level-3	Level-3
	Medium	Level-2	Level-2	Level-2
	Low	Level-1	Level-1	Level-2

The assessment of risks at the residual level helps determine whether the current risk position of the Business Unit/Department is acceptable or requires improvement. Sample Risk Library is attached in Annexure “B”

### (iii) Risk Handling or Risk Response Strategy

The Third stage of the Risk Management Process is Risk Handling. Management selects a series of actions to align with the company’s Risk appetite and Risk tolerance levels to reduce the potential financial impact of the Risk should it occur and /or to reduce the expected frequency of its occurrence

In accordance with the defined roles and responsibilities, the operating Business Units/Departments are responsible for implementing sufficient risk handling to manage risks at an acceptable level. If necessary, guidance on the development and implementation of risk handling measures may be attained from the Corporate Steering Committee or Board/Audit Committee.

Where there is either insufficient or excessive risk handling it is the Departments’/Locations’ responsibility to develop action plans to rectify the situation and ensure their timely completion. Action plans will be prioritized according to the risk content.

The cost of implementing additional risk handling needs to be recognized and wherever possible alternative options will be evaluated to find the most cost-effective option to handle risks. In circumstances where action plans have a long implementation timeframe consideration will be given to interim options.

### (IV) Monitoring Risk and Controls:

There need to be adequate controls and ongoing monitoring mechanisms to enable timely notification of fundamental changes in risks or their handling measures. Since the internal and external environment within which the Company operates is exposed to change continuously, the risk management process must remain sufficiently flexible to accommodate new situations as they arise. Risk responses that were once effective may become irrelevant; control activities

may become less effective, or no longer be performed; or entity objectives may change. In the face of such changes, management needs to determine whether the functioning of the risk management framework continues to be effective.

Monitoring in the Company will be done in two ways:

1. On-going monitoring by the Risk Owners, and the Risk Steer Committee

- **Risk and Control Owners** are responsible for monitoring the relevance of key risks and effectiveness of their counter measures. They are also responsible for the development and implementation of risk management action plans.
- **The Risk SteerCo & Risk Management Committee** is responsible for monitoring adherence to the risk policy and guidelines and reviewing the overall risk management system in light of changes in external and internal environment within which the Company operates.

## (V) Risk Reporting:

Periodic reporting on risks is required to determine whether the impact or likelihood of the risk is increasing or decreasing and to ensure continuing alignment of organizational resources to priorities. The reporting of key risks and risk handling measures is necessary to:

1. Improve the quality of and support timely decision making.
2. Determine priorities for action and improvement.
3. Enable Senior Management to satisfy them that the key risks are being identified and managed to an acceptable level.

The Risk Reporting is done at Risk SteerCo level and further to Risk Management Committee level (for FSL Top Risks)

## (VI) Update Risk Library:

The Risk Owners updates the respective Risk Registers on ongoing basis changes in business specific risk profile, internal audit observations, external developments etc. These are reported and reviewed by Risk Steer Committee.

## 7. Additional Oversight:

### 1. Sustainability Risk:

- The sustainability Risk (ESG Risk) is increasingly important parameter and Board is expected to provide oversight through RMC.

- As one of the strategic objectives, Company drives ESG program with the help of dedicated cross functional team with full mgmt. sponsorship. The company has ESG roadmap, implementation plan with strong governance at executive mgmt. level.
- Additionally, the status update, key risks and mitigation associated with ESG program are getting reported to RMC.
- This ensures RMC has full visibility and oversight on “Sustainability Risk”

## 2. Business Continuity Risk:

- The BCM (Business Continuity Management interchangeably also known as BCP – Business Continuity Planning) is an integral part of Company’s Operational risk mgmt. and part of client offering, as needed.
- The Company has separate BCP framework, policy, implementation, and governance through dedicated team. The ongoing monitoring and reporting is being done to Operational mgmt. and Executive mgmt.
- Additionally, the status update, key risks and mitigation associated with BCP program are getting reported to RMC.
- This ensures that RMC has full visibility and oversight on “Business Continuity Risk”.

## 8. Glossary:

1. **Risk:** Any event that will impact achievement of the Company’s objectives. Or, the level of exposure to uncertainties that the Company must understand and effectively manage as it achieves its objectives.
2. **Key Risks :** All risks which would fall in the extreme and high quadrants
3. **Risk Register:** A register consisting of a list of risks, mitigation measures, residual risk ratings, mitigation measures, action plans.
4. **Risk Appetite:** The quantum of risk a company is willing to bear within its overall capacity, or the broader level of risk that the organization can assume and successfully manage for an extended period; this is factored into the company’s strategy at the time of drawing up the annual and long-term business plans.
5. **Risk Tolerance:** Variability that the company is willing to accept to pursue its defined objectives. The risk tolerance level is defined in the risk scale aligned with the company’s objectives.
6. **Risk Scale:** Risk Scale provides a range (1-5) for rating of risks on possible impact and likelihood considering the objectives of the company. It is based on the risk tolerance capability of the organization.

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7. **Residual Risks:** The risk that remains in operation in organization after all possible, cost-effective risk mitigation measures has been applied.

## 9. Review:

This policy is reviewed dynamically basis changes in internal / external environment and at least on annual basis.

## 10. Exception / Deviation:

Any deviation to this policy required prior approval from the Respective Member of Risk SteerCo and Member of FSL Risk Management Committee.

## Annexure 1

#		Title	Location		Start Date		End Date		Status		Phase		Category		Priority		Impact		Risk		
1	1	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	
2	2	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
3	3	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
4	4	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
5	5	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
6	6	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
7	7	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
8	8	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
9	9	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk
10	10	Project Name	City	State	Start	End	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk	Phase	Category	Priority	Impact	Risk

## FAQ's:

### 1. Who do I escalate if I have any queries?

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## Version Control

Date	Version	Changes
September 11,2022	V2.0 to v3.0	1. Updated FSL format 2. Updated 6.2 Risk Assessment 3. Updated 'Glossary' 4. Updated Annexure 9A
June 06, 2023	Version3.0 to 3.1	1. Updated Risk quadrants 2. Updated escalation level 3. Updated Risk register template 4. Updated company locations
April 8, 2024	Version 3.1 to 3.2	1. Updated Risk Identification section with 'Double Materiality' concept