



ZEE Entertainment Enterprises Limited

Risk Policy

Version 1.0

Zee Entertainment Enterprise Ltd.
Risk Policy

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1. INTRODUCTION

Zee Entertainment Enterprise Limited (ZEEL) recognizes that taking an appropriate approach towards risk management is necessary to address and manage all key risks and opportunities with the objective of maximizing shareholder's value. Such existing and evolving risks could be the rising production costs, IPR & privacy issues, property risks etc. A structured risk management process would provide confidence that the company's risks are known and well managed and thus allow more time to focus on company's growth, strategy and value creation. The company needs to assess which method best suits its objectives and its business.

The Board of Directors (the "**Board**") of Zee Entertainment Enterprise Limited (ZEEL) (the "**Company**") has adopted this Policy upon the recommendation of the Risk Management Committee and the said Policy includes process of Risk Management ("**Policy**") in compliance with the regulatory requirements. Amendments to the Policy, if any, shall be considered by the Board based on the recommendations of the Risk Management Committee from time to time.

Five components of Risk framework & management's responsibilities for each component are as under:

Sr. No	ERM Component	Oversight responsibilities
1	Governance and culture	<ul style="list-style-type: none"> ▪ Assess appropriateness of strategy, and risk inherent in the strategy ▪ Define management risk governance role and structure ▪ Understand how risks are monitored
2	Strategy and objective setting	<ul style="list-style-type: none"> ▪ Set expectations for integration of ERM into business management processes ▪ Discuss and understand risk appetite and alignment with expectations ▪ Understand risk capacity and ability to withstand large, unexpected events
3	Performance	<ul style="list-style-type: none"> ▪ Review strategy against risk profile ▪ Set expectations for risk reporting ▪ Understand most significant risks and response strategies
4	Review & Revision	<ul style="list-style-type: none"> ▪ Ask about manifesting risks ▪ Evaluate suitability and functionality of ERM process ▪ Understand scenarios that could alter risk assessment
5	Information, Communication & Reporting	<ul style="list-style-type: none"> ▪ Identify information required to execute board oversight ▪ Access internal and external information for oversight ▪ Obtain independent assessment of management's risk performance

Organizations should evaluate areas where it should embrace taking risk, and aggressively seize the upside on taking calculated risks. In addition to advancing their strategic thinking, organizations should optimize their functions and processes, embed and execute solutions that help them respond and manage risk as a core aspect of their business. Zee Entertainment Enterprise Limited (ZEEL) realizes that its prevalent industry paradigm is radically shifting owing to a dynamic competitive, legislative and financial environment. Its actions are increasingly exposed to greater scrutiny by the public, investors and its stakeholders. Accordingly, the Company has to contend with new business challenges, risks and demands for corporate governance.

With the vision to integrate risk management with the overall strategic and operational practices, a Risk Framework has been established by ZEEL, as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

2. POLICY OBJECTIVES AND PURPOSE

Effective management of business risks is extremely critical to achieve positive results and enhance corporate reputation. It has been seen that although significant risks are often known to the personnel of the company, it may not get enough attention of the top management, and thus may result in significant losses to the organization. Risk management oversees and ensures the integrity of the process with which risks are taken.

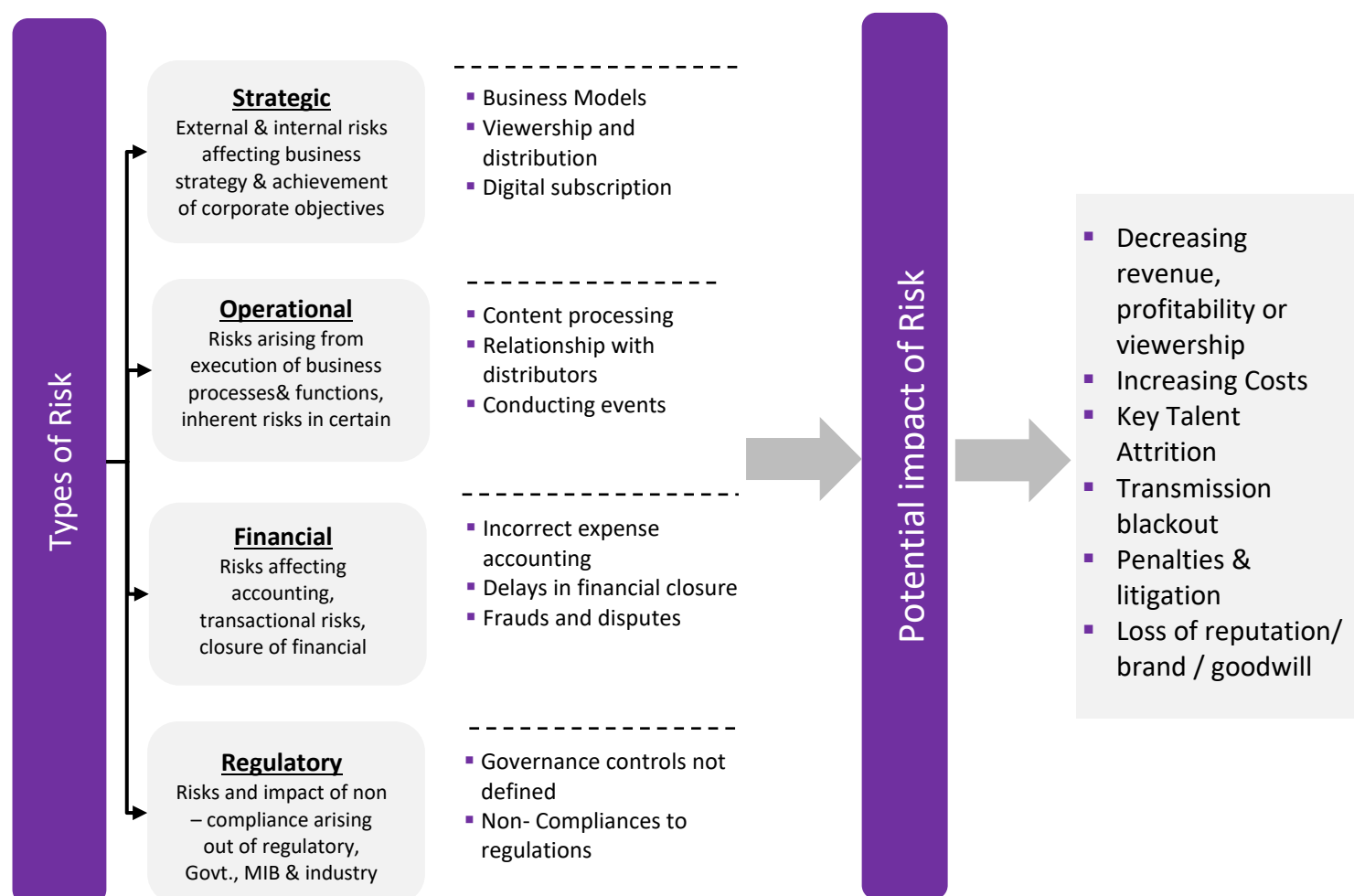
The purpose of this policy is to ensure that:

- ▶ Embed risk management across all the business units and critical support functions
- ▶ Make risk management everyone’s responsibility
- ▶ Link risk management to business performance of the company
- ▶ Significant risks are identified and managed through an integrated approach
- ▶ Integration into major business processes and continuous evolution

3. RISK MANAGEMENT

Risk Management is at the core of any organization's strategic and operational management. It is a structured process which enables the organization to address the risks existing in its various activities with the goal of achieving desired benefit from these activities. It increases the probability of success and reduces both the probability of failure and the uncertainty of achieving the organization’s overall objective.

An illustrative diagram showing types and impact of risk is as under:



4. RISK FRAMEWORK

This step involves conducting a risk refresh annually to update the risk register, review and report on status of action plans across the following stakeholders.

The components of Risk Management are different for different companies and are defined by the Company’s business model and strategies, organizational structure, culture, risk appetite and dedicated resources. Effective Risk Management process requires consistent identification, prioritization, mitigation, monitoring and communication of risk issues across the full breadth of the organization. Essential to this process is its alignment with corporate direction and objectives, specifically strategic planning and annual budgeting processes.

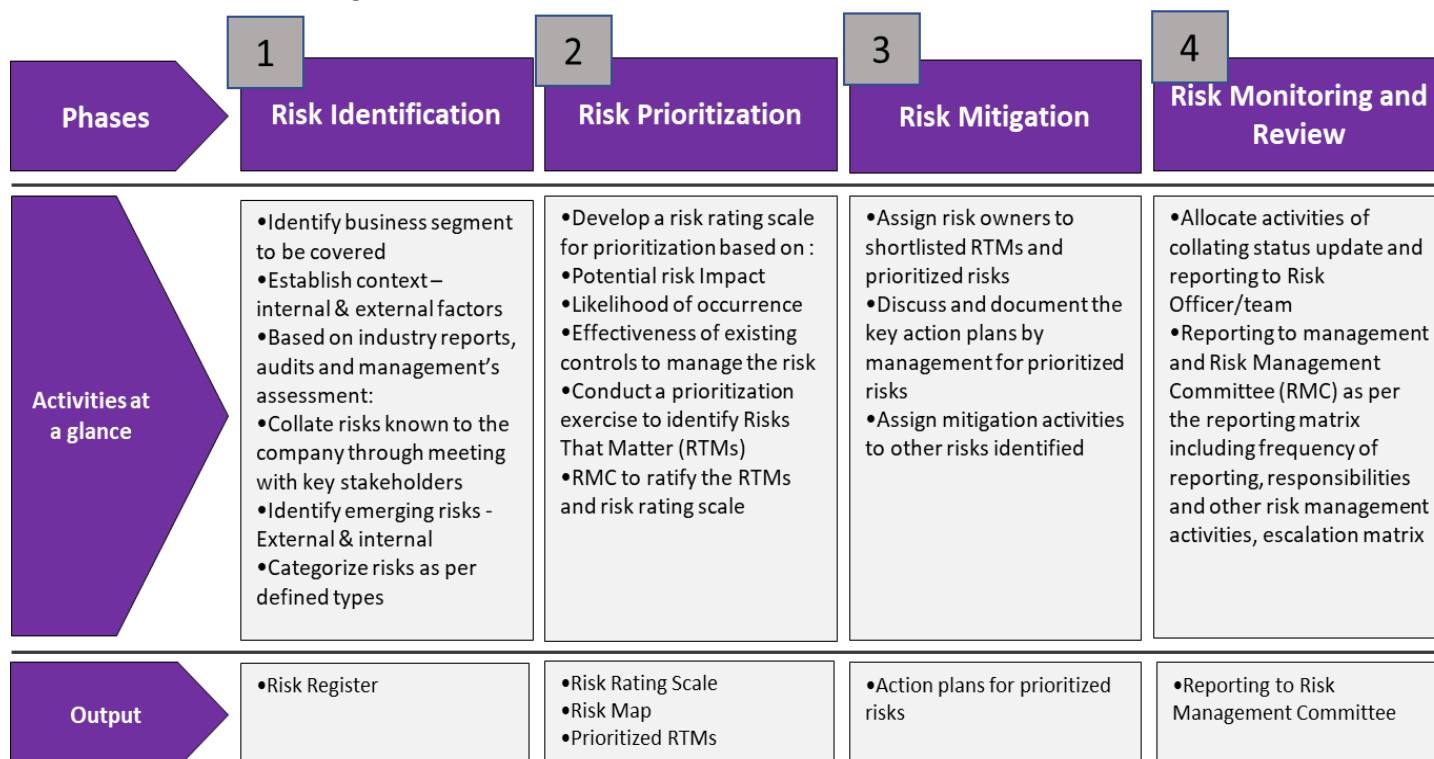
A Risk Management framework consists of the following key activities:

- ▶ Risk Identification
- ▶ Risk Prioritization
- ▶ Risk Mitigation
- ▶ Risk Monitoring and Review

It is essential to establish acceptable risk levels which are commensurate with growth and return objectives, to ensure effective monitoring.

The Risk Management framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgments in decision-making and violations of legislation and regulations.

An illustrative ‘Risk Management framework’ is shown under:



a) Risk Identification

This step involves understanding existing external and internal context, listing the potential threats that may affect the realization of the business objectives or priorities. A risk register, across all functions, is to be prepared based on discussions with key management personnel, specific syndicated reports, audit / investigative projects, third-party industry reports and analyses.

Objective	Identify and compile a list of risks applicable / inherent to identified line of business/functions
Responsibility	<i>Compiled by:</i> Chief Risk Officer <i>Reviewed by:</i> Risk Management Committee
Frequency	<ul style="list-style-type: none"> ▶ Annual update to risk register ▶ Once in three years, complete risk refresh ▶ Annual addition of new lines of business such as events, music, international business, radio, films, etc. based on materiality and company strategy
Output	Risk register
Enablers	CXO discussions, industry reports and analysis, audit and compliance findings

b) Risk Prioritization

The purpose of risk evaluation and prioritization is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. Risk is analyzed by determining potential impact and their likelihood, and other attributes of the risk. An event can have multiple consequences and can affect multiple objectives.

Objective	Identify the critical risks that can adversely impact business operations or the Company
Responsibility	<i>Rating assessed by :</i> <ul style="list-style-type: none"> • Managing Director & Chief Executive Officer • Chief Compliance Officer & Company Secretary • Chief Financial Officer • Any other senior management personnel with relevant oversight & responsibilities
Frequency	<ul style="list-style-type: none"> • Annual prioritization
Output	<ul style="list-style-type: none"> • Prioritized Risks That Matter ('RTM') & Significant Risks
Enablers	<ul style="list-style-type: none"> • Risks Register • Risk rating scale

c) Risk Mitigation

Based on the Risk assessment and prioritization, the company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. Typical options for deciding course of risk treatment:

- **Avoidance (eliminate, withdraw from or not become involved)**

- **Reduction (optimize - mitigate)**
- **Sharing (transfer - outsource or insure)**
- **Retention (accept, determine steps and action)**

Mitigation plans are prepared for addressing the ‘Prioritized Risks’ and restricting their impact to an acceptable level. A Risk owner is assigned to each prioritized risk who is responsible for the development, implementation and reporting on the agreed mitigation plans to the Risk Management Committee.

d) Risk Monitoring and Review

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 reporting comprises the following elements:

- ▶ Department-specific description of key risks and opportunities.
- ▶ Description of key risk control measures including effectiveness of these control measures
- ▶ Key risk indicator for major risk categories that can be quantified like operational risks.

Risk reporting relating to the above would be generated by the Chief Risk Officer, and provided to the Risk Management Committee and Senior Management Risk and Control Owners are responsible for monitoring risks and effectiveness of their counter measures.

e) Action plan for Other risks:

For other risks that are not Risks that matter (RTMs) and Significant risks, generic action steps have been listed below and a Risk Officer should allocate types of mitigation plans for other risks and collate status updates from respective functional/business heads as per defined frequency.

Action plan	Summary description
Internal Financial Controls (IFC)	▶ Review would be covered as part of compliance to IFC requirements including internal controls over financial reporting, operational controls and fraud risk management
Internal Audit (IA)	▶ Risk would be reviewed as part of internal audit scope, testing and reporting
Job allocation	▶ Allocation of specific activities & responsibilities to identified team including assignment through Key Result Areas (KRAs)/ Key Performance indicators (KPIs) to address risk
Management policies	▶ Definition and implementation of business/corporate policies to regulate operations and practices
Management reviews	▶ Periodic / quarterly reviews with senior management as part of reporting and monitoring business operations ▶ Specific focused reviews initiated by management
Standard Operating Procedures (SOP)	▶ Definition and implementation of Standard Operating Procedures including processes and controls to be put in place for addressing risks

Objective

Determine action for risk mitigation, document the action plans & identify owners

Responsibility	Prepared by: Risk Owners Reviewed by: Chief Risk Officer
Frequency	<ul style="list-style-type: none"> Quarterly update on the mitigation plans for prioritized risks Annual / half-yearly update on Other risks
Output	<ul style="list-style-type: none"> Mitigation plan with timelines
Enablers	Management action plans (as part of IA, IFC, & other statutory reviews) Risk Mitigation plan guidelines

5. ROLES AND RESPONSIBILITIES

This step involves conducting a risk refresh annually to update the risk register, review and report on status of action plans across the following stakeholders.

► Risk Management Committee

- Help to set the tone and develop a culture of the enterprise vis-à-vis risk, and promote open discussion regarding risk, integrate risk management into the organisation's goals and compensation structure, and create a corporate culture such that people at all levels manage risks
- Ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually
- Evaluating the Risk Management process
- Providing assurance on Risk Management processes
- Providing assurance that risks are correctly evaluated
- Prioritize the risks at the corporate level and provide guidance process owners on the management of those risk
- Assign ownership to and monitor the critical operational & corporate level risks
- Align the risk mitigation/control strategies with the organizational strategies
- Awareness about the critical risks identified at the functional unit level
- Ensure cross business unit alignment of risk management activities
- Evaluating the reporting of key risks
- Reviewing the management of key risks
- Sponsor and regulator of Risk Management
- Review of the major business risks faced by the company on a quarterly basis
- Monitor risk exposure and to receive assurances that the processes in place, to manage risk, are operating effectively; and
- Facilitate communication of relevant risk information throughout the organization as appropriate

► Management

- Discuss, understand & approve risk appetite, tolerance and alignment with expectations; Understand risk capacity and ability to withstand large, unexpected events
- Assess appropriateness of strategy, and risk inherent in the strategy;
- Monitor & review the strategy against organisation's risk profile; risk reporting including risk appetite; understand, review the risk assessment process & situation that could alter risk profile

- Review the risk register and agree on Risks that Matters (RTMs), significant and other risks basis the impact of risk, likelihood of occurrence and control effectiveness parameters
- Allocate risk owners with adequate oversight and responsibility; agree on mitigation plans and update strategy as required

► **Risk Owner**

The Risk Owners shall be individual business process owners taking ownership for the control effectiveness/mitigation plan and will be responsible for the actual management of risk. Their main roles and responsibilities shall include:

- Identify risk by participating in meetings and deliberations
- Develop initial level of control and implement the controls/mitigation plan for both corporate and functional risks
- Take ownerships for the risks
- Take responsibility for the adequacy and effectiveness of the control
- Track risk indicators and the reporting to the Risk Management Committee, ensure completeness and accuracy of any operational information
- Implement the mitigation plan agreed within the defined timelines
- Identification of new risks
- Reporting new risks or failures of existing control measures with remedial action
- Consolidating the quarterly and annual risk register and action plan review reports and timely reporting to RO
- Providing management with information about the organization's controls and determining which controls should be in place to adequately lower the overall risk profile of various critical processes
- Educating employees dealing with key activities in their team/department of the risk management process

► **Chief Risk Officer (CRO)**

The main roles and responsibilities of the CRO shall include:

- Track completion status of mitigation plans and activities against agreed timelines
- Receive updates on existing control effectiveness for Other Risks (risks other than RTMs) and actions plans
- Apprise the Risk Management Committee on RTMs, mitigation plan for the RTMs and update changes (if any)
- Update Risk Register in consultation with required stakeholders
- Escalation of issues to Management team
- Providing the overall co-ordination and direction for risk management
- Establishing an integrated risk management framework for all aspects of risks across the organization
- Ensure development of all policies, procedures and processes for risk management
- Optimizing the company's risk portfolio through business activities and risk transfer strategies
- Seek periodic assessment of effectiveness of risk management efforts in the company (Conducting risk audits)
- Process follow up as per the defined calendar
- Developing a process for establishing and updating risk tolerances
- Monitor consolidated risk levels and implementation of mitigation strategy/controls and report to the Risk Management Committee
- Communicate the status of significant risk management issues to the Risk Management Committee
- CRO will also perform annual risk assessment based on changes in business dynamics (To Add/Change Risk)
- To report changes in status of risks as well as update the status of Risk Treatment Plan on Quarterly basis

► **Internal Auditors**

- The nature of internal auditor's responsibilities should be documented in the internal audit charter and approved by the Risk Management Committee
- Conduct risk based internal audit
- To assist risk management team to analyse risks and controls
- Report observations with respect to gaps/deficiencies in risk management
- Providing advice, facilitating workshop, coaching the organization on risk and control and promoting the development of a common language, framework and understanding
- Supporting manager as they work to identify the best way to mitigate risk, they all will play their roles in monitoring risk exposures and the effectiveness of processes to manage significant risks

6. DISCLOSURE, REVIEW OF POLICY AND AMENDMENT

The Board of Directors' Reports and Financial Reports must include a statement indicating development and implementation of a Risk Management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company. This Policy shall be reviewed by Risk Management Committee and Board as and when required.

Any change / amendment in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

7. POLICY OWNERSHIP

The policy awareness and adherence ownership will rest with the Risk Management Committee and Chief Financial Officer with oversight by the Board.