Shemaroo Entertainment Limited

Risk Management Policy

(Pursuant to Regulation 17(9) of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015)

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1. PREAMBLE:

The Board of Directors has adopted the following policy and procedures with regard to risk management. This document lays down the framework of Risk Management at Shemaroo Entertainment Limited (hereinafter referred to as the **'Company' or 'SHEMAROO**') and defines the policy for the same. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. OBJECTIVE:

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

3. DEFINITIONS:

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing Regulation.

"Board of Directors" or "Board" in relation to a Company, means the collective Body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]

"Policy" means Risk Management Policy.

4. GOVERNANCE FRAMEWORK:

Risk Management Policy is framed as per the following regulatory requirements:

4.1 Regulation 4 of the Listing Regulation:

- Regulation 4 (2) (ii) Key Functions of the Board

  The Board should fulfill certain key functions, including:

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.

- Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

- Regulation 17(7) – Minimum Information to be placed before Board of Directors (Part A of Schedule II)

  - Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

- Regulation 18 Role of Audit Committee (Part C of Schedule II)

  The role of the Audit Committee shall include the following:

  - Evaluation of internal financial controls and risk management systems;

- Regulation 17 - Board of Directors

  A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

  B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

4.2 Companies Act, 2013:

- Provisions of the Section 134(3)

  There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include —

  - a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

- Provisions of the Section 177(4)

  Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

  - evaluation of internal financial controls and risk management systems.

- Schedule IV [Section 149(8)] - Code for Independent Directors

  Role and functions:

  The independent directors shall:

  - help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management,** resources, key appointments and standards of conduct;

  - satisfy themselves on the integrity of financial information and that financial controls and **the systems of risk management** are robust and defensible;

5. CONSTITUTION OF RISK MANAGEMENT COMMITTEE:

Risk Management Committee shall be constituted by the Board, as and when required under the applicable Statutes, consisting of such number of directors (executive or non-executive) as the Board thinks fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

6. APPLICABILITY:

This policy applies to all the areas of the Company's operations.

7. RISK ASSESSMENT:

To meet the objectives of the Company, the Management shall consider expected and unexpected events, pursuant to which it is imperative to make effective strategies for exploiting opportunities. Accordingly, the Company has identified key risks and developed plans for managing the same.

8. RISK IDENTIFICATION:

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

Risks may be structured as follows for the purpose of their identification and evaluation:

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Hazard
Quantification of Risk	Significance & Probability
Risk Tolerance/ Appetite	Loss Potential & Financial Impact of Risk
Risk Treatment & Control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring & Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy & Policy Development	Identification of Function Responsible to develop Strategy & Policy

Material Risks on which the Company presently focuses can be broadly subdivided into Internal and External Risks and may comprise of the following:

- **INTERNAL RISKS:**

– Technological risks:

The company strongly believes that technological obsolescence is a practical reality. The media and entertainment industry continues to undergo significant technological developments, including the on-going transition from physical to digital media.Technological. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

– Strategic business risks:

The Company earn revenues by exploiting content that it distributes through various distribution channels. Acquisition of content is an integral part of Company's business. Our ability to successfully acquire content depends on our ability to maintain existing relationships and form new ones, with industry participants. We believe maintaining existing relationships is key to enabling us to continue to secure content and to exploit such content in the future. Further, on front of film production business it depends substantially on consumer tastes or preferences that often change in unpredictable ways. There is no assured way of predicting whether any film will be successful or not.

The Company's Board and its business management group have a rich experience within their respective specialised segments, as well as in the entertainment industry and have benefited from long-standing relationships with certain industry participants in the past, The Company believes that, our management team possesses an in-depth understanding of the Indian film industry, content and content exploitation, and is therefore well-positioned to focus on the continued expansion and strengthening of our Content Library and distribution network. Further, the Company has established its presence in various diversified distribution platforms to minimise and mitigate its risks and attempts to De-risk its business model by acquiring large number of titles, multiple genres and types of content, width and depth of distribution platforms.

– Legal and regulatory compliance risks:

Legal risk is the risk in which the Company is exposed to legal actions. As the Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure.

Further, the Company is required to avail various approvals, licenses, registrations and permissions for its business activities and each regulatory authority may impose its own requirements or delay or refuse to grant approval.

– Company avails services of experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitmentsCost risks:

At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through budgetary mechanism and its review against actual performance with the key objective of aligning them to the financial model. The focus on these initiatives has inculcated across the organization the importance of cost reduction and control.

– Human resource risks:

Human Resources Development (HRD) Department will add value to all the divisions of the Company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organisational excellence. Our growth has been driven by our ability to attract top quality talent and effectively engage them in right jobs.

Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure. Employee-compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance.

– Risks arising from exchange rate fluctuations:

The company incurs expenditure and earn revenue denominated in foreign currencies in the course of its operations when acquiring or monetising our content and in respect of overseas market. Any fluctuation of the Indian Rupee against the currency in which we have an exposure may increase the Indian Rupee costs to us of our expenditure or may reduce the revenue to us. The Company has limited foreign currency exposure and has a natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments.

- **EXTERNAL RISKS:**

– Illegal use and exploitation of Company's content and/or intellectual property rights and inadequate judicial systems and remedies:

Our industry is highly dependent on maintenance of intellectual property rights in the entertainment content. Piracy, namely the infringement of exclusive rights in creative works, is rampant globally, and can only be minimized by speedy and cost effective judicial remedies which may not always be available.

The Company has in place independent Department who manages anti-piracy activities in regards to the illegal usage of the contents of the Company, but notwithstanding the anti-piracy measures, there can be no assurance of prevention of piracy of the content.

– Economic Environment and Market conditions Risks:

Company's performance and growth are dependent on the health of the Indian economy and more generally the global economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors.

In recent years, India has been following a course of economic liberalization and our business could be significantly influenced by economic policies adopted by the Government. Since 1991, successive Indian Governments have pursued policies of economic liberalization and financial sector reforms. The Government has at various times announced its general intention to continue India's current economic and financial liberalization and deregulation policies. However, protests against privatizations and other factors could slow the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

– Competition risks:

The Company may face competition from both new as well as existing players in the films and television media Segments and this may increase demand for the limited content pool, which may in turn contribute to an increase in costs for content acquisition. Further, the prices of commercially compelling content may rise disproportionately due to scarce supply of such content.

– Government policy and political risks:

The Government has traditionally exercised and continues to exercise influence over many aspects of the economy. Our business and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India. The current Government, which came to power in May 2014, is headed by the Bharatiya Janata Party. While the current Government is expected to continue the liberalization of India's economic and financial sectors and deregulation policies, there can be no absolute assurance that such policies will be continued.

Further, the Direct Tax Code Bill 2013, or DTC, proposes to replace the existing Income Tax Act, 1961 and other direct tax laws, with a view to simplify and rationalize the tax provisions into one unified code. The various proposals included in the DTC are subject to review by Indian parliament and as such impact if any, is not quantifiable at this stage. It is possible that the Direct Tax Code, once introduced, could significantly alter the taxation regime, including incentives and benefits, applicable to us. Any such change in the Government's policies in the future could adversely affect business and economic conditions in India and could also adversely affect our business prospects, financial condition and results of operations. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and specifically have an adverse effect on our operations.

– Any downgrading of India’s debt rating by an independent agency may harm our ability to raise debt financing:

Any adverse revisions to India’s credit ratings for domestic and international debt by international rating agencies may adversely affect the Company’s ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could adversely affect our business prospects, results of operations and financial condition and the price of our Equity Shares.

9. RESPONSIBILITY, COMPLIANCE AND CONTROL:

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. The Head of Departments and other Senior Management Persons in the Company at organizational levels under the guidance of the Board / Audit Committee are responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

The Company has established a compliance management system in the organisation and the Company Secretary of the Company being the focal point will get the quarterly compliance reports from functional heads and place it before the Board for its perusal.

10. GENERAL:

- The Board of Directors and the Audit Committee in their meeting shall at least once in every year review the risk management framework and effectively address the emerging challenges in a dynamic business environment and ensure that it meets the requirements of the applicable Laws and the needs of the Organization.

- The Audit Committee and Board of Directors shall have the power to modify, amend or replace this Policy in part or full as may be thought fit from time to time in their absolute discretion as far as it is not in contravention of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- In case of any inconsistency between any of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / the Companies Act, 2013 and this Policy or in case of any omission of any of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / the Companies Act, 2013 in this Policy, the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / the Companies Act, 2013, as amended shall prevail or be applicable, as the case may be.

- Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations or any other applicable law or regulation to the extent applicable to the Company.

- The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and in having a complete / proper management's perception of risks. The Management cautions the readers to exercise their own judgment in assessing various risks associated with the Company.

11. DISSEMINATION OF POLICY:

The Risk Management Policy shall be disclosed in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at www.shemarooent.com.

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