

Risk Management Policy
Version 1.0

Approved by
Board of Directors in their meeting held on May 06, 2019
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1. PREAMBLE

Bharti Telecom Limited ('BTL' or 'the Company') is an investment holding company. The Company is classified as a Core-Investment Company – Non-Deposit Taking Systemically Important (CIC-ND-SI) by RBI vide its certificate No. N-14.03465 dated January 15, 2019.

BTL is a promoter and an investment holding company of Bharti Airtel Limited ("Airtel"), a leading global telecommunications company with operations in 18 countries across Asia and Africa. Airtel ranks amongst the top 3 mobile service providers globally in terms of subscribers. The shares of Airtel are listed on the stock exchanges viz. NSE and BSE and forms part of both SENSEX and NIFTY index. The market capitalization¹ of Airtel is approx. Rs. 135,000 Crores. Accordingly, the market value of BTL's investment in Airtel on same date is approx. Rs. 67,510 Crores.

Bharti Group and Singtel Group are the major shareholders of BTL holding 98.97% of paid-up of its share capital. Bharti Group is one of India's leading conglomerates with diversified interests in telecom, insurance, real estate, agri and food, in addition to other ventures. Singtel Group, headquartered in Singapore has 140 years of operating experience and is one of the largest listed Singapore companies. The majority stake in Singtel is held by the Government of Singapore.

The sole business of BTL is to hold equity investment in Airtel which is strategic and long term in nature. At present, BTL does not have any NBFC operations also does not have any intent to carry out such activities/operations in future. BTL has obtained the registration as Non-Deposit taking Systemically Important Core Investment Company (CIC ND- SI) because of the requirements set out under the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 (CIC Directions), where a Non-Banking Financial Company which is a Core Investment Company, having total assets of not less than ₹100 crore and which has "raised or holds public funds" is required to obtain registration from RBI. Once borrowings were raised by BTL, it was technically covered under the above directions and thus had to apply for the registration as CIC ND-SI.

Since, the Company, during the currency of its borrowings, shall be governed by the CIC Directions and other applicable regulations/guidelines/circulars issued by RBI, it is technically required to have this policy for risk management in place. This policy should be read in such limited context only, as there is no NBFC activities involved.

Risks are inherent in all aspects of business and BTL acknowledges the role of risk management as critical to efficient running of the Organization. BTL is committed to managing risk in accordance with Companies Act, 2013 and all other laws applicable to it.

¹ As on May, 06, 2019.

BTL's risk management strategy is a systematic hierarchical driven process to identify, analyse, assess, communicate and treat risks that can adversely impact on the performance and standing of the organization.

The range of risks that BTL needs to be prepared to deal with will include:

- Public & Professional Liability responsibilities
- Financial Management
- Organizational Management and Operational practices
- Occupational Health & Safety responsibilities

a) Purpose of the Policy

The purpose of this policy is to provide a framework for the elimination or control of all risks associated with the activities carried on by BTL.

b) Scope

The successful implementation of the Risk management Policy requires a consistent and systematic approach to risk management at all levels of the Company.

In order to manage risk in accordance with best practice BTL will comply with the requirements of all applicable laws as well as the Companies established ethical standards and values.

c) Objective

The objectives of the policy are:

- Identify, report and analyse the Company's liability associated with its range of risks
- Encourage the ongoing identification and reporting of potential risks
- Determine the magnitude of risks
- Develop a risk register, if required
- Develop, priorities and implement ongoing plans and strategies to address risks
- Promote and support risk management practices throughout the Company
- Gain organizational support for risk management undertakings
- Educate members on good risk management practices
- Minimize the cost of insurance claims and premiums
- Protect the Company's image as a professional, responsible and ethical organization.

The risk management system will be reviewed periodically to ensure the actions remain appropriate and effective.

d) Interpretation

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notifications, Clarifications, Circulars, Master Circulars/ Directions by the Reserve Bank of India ("RBI") arise then, interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by RBI shall prevail.

2. RISK MANAGEMENT METHODOLOGY

The Role of Board of Directors

The Board retains the ultimate responsibility for risk management and for determining the appropriate level of risk that BTL is willing to accept.

The role of the Board with respect to risk management encompasses both compliance and performance aspects.

3. COMPLIANCE

- Allocate resources to implement and maintain the risk management process.
- Delegate authorities and responsibilities.
- Monitor the organisation's performance having regard for its risk appetite and risk management processes.
- Review the ongoing effectiveness of the risk management process in achieving the organisation's objectives.

4. PERFORMANCE:

- Agree the risk appetite of the organisation having regard for the risk environment in which the organisation operates.
- Review the organisation's risk profile against its agreed strategy ensuring that they are aligned and within the agreed risk appetite.
- Set the risk policies setting out the internal framework for risk management across the organisation.
- Set the 'tone at the top' for the organisation including endorsing and adopting the Company's Code of Conduct.

5. GROUP RISK MANAGEMENT COMMITTEE

A Group Risk management Committee ("**Committee**") comprising of at least 5 members, with a developed understanding of the Company's risk issues has been formed to instigate a

comprehensive risk management review of all of the Company's activities. There shall be at least 2 Independent Directors in the Committee and Chairperson of the Committee shall be as Independent Director. The Committee shall meet atleast once in a quarter.

The roles and responsibilities of the Committee shall be:

- To formulate a detailed risk management policy which shall include:
 - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
 - c. Business continuity plan.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company and its subsidiaries;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems, group structure and corporate governance framework for risk management assessment across the group;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- To consider and approve the appointment, removal and terms of remuneration of the Chief Risk Officer (if any).
- To coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors; and
- Such other role/functions as may be specifically referred to the Committee by the Board of Directors and / or other committees of Directors of the Company and specified in SEBI/RBI Regulations.

6. RISK IDENTIFICATION

The Committee shall be responsible for the establishment / maintenance of a risk register and the setting of plans and strategic timeframes for treatment of risks.

BTL as a group is involved into financial services business and face following key risks:

The list of risks given hereunder is not exhaustive which is only indicative and does not restrict in anyway identification, evaluation, monitoring and reporting of any risk not falling under these categories perceived by Board of Directors, Group Risk Management Committee and/or management team.

Strategic Business risk – Strategic risks are basically those risk which are typically managed by the top management group and are tactical in nature such as continue or discontinue a product line, scaling up or down the business, major investment decision, key borrowings, mergers or acquisitions etc.

Credit Risk -is the risk of loss due to the failure of counterparty (individual or corporate) to meet its credit obligations in accordance with agreed contract terms. Type of Credit Risks could be Counterparty risk, Residual risk, Settlement risk etc.

Liquidity risk- is the potential of loss arising from their inability either to meet obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

Operational risk - is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk shall also incorporate possible causes of loss resulting from regulatory non-compliances. The main sources of operational risk are Process design, Employees, Equipment, Information technology, Physical risk, regulatory non-compliance, Fiduciary etc.

Cybersecurity risk - is the potential exposure to loss of critical assets, sensitive information, productivity loss, theft of intellectual property, monetary loss or reputational harm as a result of a cyber-attacks or data breach within an organization's network including information or communication system. Cybersecurity risk can emerge from internal as well as external parties and can be malicious or unintentional.

Compliance-Regulatory-Legal risk - is the risk arising from non-adherence to prescribed law in force, regulations, policies, procedures and guidelines which may give rise to regulatory actions, litigations, deficiency in product or services depending on the level of non-adherence.

The corporate governance function is primarily designed to avoid incurrence of compliance-regulatory-legal risk.

Investment Risk - is the major risk faced by BTL being a holding company. Investment Risk is the risk in which the provider of finance shares in the business risk. The Company faces investment risk exposure from its various investments, such as direct investments, asset management etc.

Note: investment risk is not the risk arising from short-term trading for the purpose of gaining short-term profits. Risks arising from short-term market fluctuations are dealt with under market risk. The Company's strategy towards investment risk management will be based on Business Strategy, Due Diligence, Diversification of Investments, Setting Limits, Exit Strategy, Stress Testing etc.

Market Risk - is the risk of losses in on-balance sheet (Prop. book) and off-balance sheet (Client book) positions arising from movements in market prices i.e. fluctuations in values in tradable, marketable and in off-balance sheet individual portfolios. Type of market risk could be Equity Risk-Equity risk relates to the sensitivity of financial products to the changes in prices and Foreign Exchange Risk-Foreign Exchange risk relates to the sensitivity of financial products to change in spot foreign exchange rates.

Interest Rate Risk - is generally associated with overall balance sheet exposures where mismatches arise between assets and balances from fund providers. Interest rate risk is defined as the risk that a Company may not meet their benchmark (expected) rate of returns on investments.

Concentration Risk - is probability of loss arising from heavily lopsided exposure to a particular group of counterparties. For example the risk of loss to a finance company as a result of having too many outstanding loans concentrated in a particular instrument, with a particular type of borrower, or in a particular territory.

Sustainability Risk - Uncertain Environmental, Social and Governance risks (ESG risks) that may impact an entity are commonly referred to as sustainability risks.

Reputational Risk - As per the above standard, BTL is also exposed to reputation risk arising from failures in governance, business strategy and process, regulatory-compliance and legal risk. These risks are generally covered under Operational risks. Reputational risk is the risk of potential damage to the Company due to deterioration of its reputation. The reputation of the Company may suffer as a result of its failure to comply with laws, regulations, rules, reporting requirements, standards and codes of conduct applicable to its activities, rather than compliance with the internal limits or procedures. Proactive measures to minimize the risk of losing reputation could be a sound risk management framework, good corporate governance, high level ethics and integrity, rigorous anti money laundering procedures, good business practices and reporting of all breaches which lead to reputational risk to the attention of senior management and the board.

Management of subsidiaries and support functions of BTL should take into consideration above basic risk categorization and devise their own risk cum control matrix for each of the product line, segment, business and operations.

Risk Management Practices for Outsourced Financial Services & outsourcing within the group:

CIC Directions prescribe framework of risk management and code of conduct in outsourcing of financial services by Core Investment Companies. Since BTL is a registered CIC, it shall implement the prescribed framework in case it intends to outsource any of its financial services activities and put in place a comprehensive outsourcing policy, duly approved by the Board after conducting self-assessment of its existing outsourcing arrangements.

In addition, CIC directions prescribe framework for other outsourcing arrangements within the group / conglomerate, which shall also be implemented as prescribed.

7. RISK ASSESSMENT

The risk assessment analyses the exposures identified, quantifies the likelihood of certain events occurring and determines the consequences, both financial and operational.

8. RISK MANAGEMENT FRAMEWORK – CORE BUSINESS UNITS (SUBSIDIARIES)

- Comprehensive framework of Risk Management is required at the respective Subsidiary and joint venture level where subsidiary company's Risk Management Committee authorized by Board or in its absence respective Audit Committee/Board of Directors shall frame and review the risk management policy and appropriateness of systems and controls in this regard.
- In order to enable Group Risk Management Committee (GRMC) and Board of Directors of BTL to review appropriateness of risk management framework and controls of its subsidiary companies, Bharti Airtel Limited ("BAL"), main subsidiary company shall submit a quarterly report, including test of design and operating effectiveness of key controls and risk parameters, to the GRMC. In addition, a summary of the key matters discussed at the risk management committee of BAL shall be presented to the GRMC on a quarterly basis.
- The process of risk management requires the implementation of appropriate policies, limits, procedures and effective MIS for internal risk reporting and decision making that are

commensurate with scope, complexity and nature of the Company's activities. Board, through risk management committee, shall assure itself periodically that such a system exists and is updated regularly based on internal & external factors

9. SAFE OPERATING PROCEDURES

The Risk Management Committee will prepare safe operating procedures for all areas identified as presenting any risk to the organisation; other aspects that may be included are: Emergency planning and protection of investments and assets.

10. RECORDS

Records shall be maintained for a) Hazard identification; b) Risk assessments; c) Accident / incidents; and d) Risk register

11. RISK REGISTERS

The Risk Register shall comprise of a series of unrelated spreadsheets across a combination of business units and risk types. The Company's intention is to move to an appropriate integrated risk management platform that is robust, easy to use and capable of upwards scalability to meet the needs of the Company's Vision.

The registers are to:

- Use a system of unique Risk IDs that provide a linkage of risk to the Company's core strategies and functional business areas.
- List the risks which could cause losses to be incurred and possible causes.
- List the consequences.
- Provide an assessment of the inherent risks.
- Detail the existing risk mitigation plans.
- Provide an assessment of the strength of the mitigation plans.
- Provide an assessment of the residual risks.
- Detail any action plans to reduce residual risks.

12. MONITORING & REVIEW

It is incumbent on the Company's Risk Management Committee to review the performance of the risk management systems and changes, which might affect it on an annual basis.

