Fusion CX Limited
RISK MANAGEMENT POLICY

Document Control Information

Regulatory Framework	Under Regulation 17(9)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
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Corporate Details	Fusion CX Limited (CIN: U72900WB2004PLC097921) Plot No. Y9, Block EP & GP, Sector-5, Bidhan Nagar, Salt Lake, Kolkata, KOLKATA, West Bengal, India, 700091
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1 Introduction

The Companies Act of 2013 emphasizes the need for a Risk Management Policy for companies. Section 134(3)(n) of the Act mandates that the Board's Report include a statement on risk management, detailing any elements of risk that may threaten the company's existence.

Key regulatory requirements include:

- **Audit Committee Responsibilities:** Evaluate internal financial controls and risk management systems as per Section 177(4)(vii) of the Act.
- **Board Responsibilities:** Regulation 17(9)(b) of SEBI (LODR) Regulations, 2015 mandates the Board to frame, implement, and monitor the company's risk management plan.
- **Risk Management Committee:** As per Regulation 21(4), the Board defines the roles and responsibilities of the Risk Management Committee, including monitoring the risk management plan.

Where this policy conflicts with any law or regulation, the latter will take precedence until the policy is amended to comply with such regulations.

2 Objective Of Policy

This policy aims to:

- Develop a risk-aware culture that encourages identifying and managing risks and opportunities.
- Establish proactive and reactive mechanisms for risk mitigation.
- Plan and coordinate risk management using a Risk Register and Risk Control Matrix.
- Create an incident response framework for addressing materialized risks.

3 Definitions

- **Company:** Fusion CX Limited.
- **Risk:** Probability or threat of adverse events impacting the company's goals.
- **Risk Management:** Process of systematically identifying, evaluating, and mitigating risks.
- **Senior Management:** Core management team below executive directors, including functional heads, company secretary, and CFO.
- **Risk Management Committee:** Committee formed by the Board to oversee risk management.

Undefined terms shall have meanings ascribed under applicable laws and regulations.

4 Risk Appetite

A critical element of the Company's Risk Management Framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives.

The key determinants of risk appetite are as follows:

1. Shareholder and investor preferences and expectations;
2. Expected business performance (return on capital);
3. The capital needed to support risk taking;
4. The culture of the organization;
5. Management experience along with risk and control management skills;
6. Longer term strategic priorities.

Risk appetite is communicated through the Company's strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

5 Risk Management Policy & Framework

Risk Definition: Risk is the potential for failure or loss of value or the missed opportunity for value creation or strategic competitive advantage resulting from a certain action or inaction. Controlling risk is essential in any business, as it requires having processes to safeguard assets and comply with appropriate regulatory frameworks. However, risks may also have to be taken consciously to explore untapped business opportunities aligned with the corporate strategy to optimize maximum potential stakeholder value and improve their confidence.

5.1 Classification of Risks:

A. Financial/Operational/Preventable/Compliance Risks

These internal risks within Fusion CX are controllable and need to be mitigated or eliminated. Examples include:

- Establishing new delivery sites or expanding to new geographies (e.g., location feasibility, profitability, competition analysis).
- Risks from employees' or managers' unauthorized, unethical, or inappropriate actions impacting operations or client trust.
- Retention of critical talent and effective succession planning to maintain leadership continuity.
- Control failures or gaps in IT systems, processes, or manual workflows leading to operational inefficiencies.
- Security of tangible assets (e.g., office infrastructure) and intangible (e.g., client data and proprietary technology).
- Ensuring the safety and well-being of employees across global delivery centers.
- Compliance with labor laws, tax regulations, and corporate governance policies across all operational geographies.
- Adherence to Environmental, Social, and Governance (ESG) principles in line with global standards and client expectations.

B. External Risks

External risks arise from economic, political, and environmental factors beyond Fusion CX's control. Examples include:

- **Economic Risks:** Changes in global or regional economic conditions, such as currency fluctuations, inflation, or recessionary trends, could impact client budgets or service demand.
- **Political Risks:** Shifts in political climates or regulations in key operating regions that could disrupt operations.
- **Regulatory Risks:** Changes in data privacy laws (e.g., GDPR, HIPAA) or industry-specific compliance requirements.
- **Natural Risks:** Unforeseen natural disasters (e.g., hurricanes, floods) impacting operational continuity.
- **Labor Risks:** Employee strikes, protests, or unrest that could lead to service delivery disruptions.
- **Cybersecurity Risks:** External threats like ransomware attacks, phishing attempts, or data breaches could compromise client trust.

C. Disruptive Risks

Disruptive risks are anticipated or unexpected events that may challenge Fusion CX's current business model. Examples include:

- Innovations in CX business models, such as AI-driven automation solutions, impacting traditional service delivery methods.
- Rapid technological advancements requiring continuous upskilling and investment to stay competitive.

- Shifting client preferences towards digital-first or self-service models, reducing demand for traditional call center services.

D. Strategic Risks

Strategic risks arise from decisions made to achieve long-term growth and profitability. Examples include:

- Expansion into new geographies or service lines (e.g., multilingual support or omnichannel CX platforms).
- Investing in emerging technologies such as real-time analytics, AI-powered bots, and voice harmonization tools.
- Exploring partnerships or mergers to enhance service capabilities and market reach.

5.2 Risk Management Process Phases:

- **Risk Identification:** Identify all risks faced by the company (internal and external).
- **Risk Evaluation and Assessment:** Analyze and prioritize risks based on their potential impact and likelihood of occurrence.
- **Risk Mitigation:** Develop and implement strategies to minimize the potential impact of risks.

5.2.1 Risk Identification

Risk identification includes all internal and external risks specifically faced by the Company, which inter alia include financial, operational, legal, regulatory, sectoral, sustainability (particularly ESG-related risks), information, and cybersecurity risks. All events that can have an adverse impact on the achievement of business objectives will be treated as risks associated with the business. All Heads of Departments/Senior Managers shall identify all possible risks associated with their area of operation and report the same to the Managing Director, CFO, or Company Secretary. All identified risks will be documented for evaluation.

5.2.2 Risk Assessment and Evaluation

"Risk Assessment" refers to the overall process of risk analysis and evaluation. This includes determining the impact of risks, if they occur, on the business and the likelihood of occurrence. Identified risks shall be evaluated periodically by KMP/Senior Management, led by the Managing Director and Chief Executive Officer. Based on the evaluation, risks can be categorized as low, medium, or high.

5.2.3 Risk Mitigation

The following framework shall be used for Risk Mitigation:

- **Risk Avoidance:** Avoiding activities that could carry risk.
- **Risk Transfer:** Mitigating risks by transferring them to third parties, such as through contracts or insurance.
- **Risk Reduction:** Employing methods that reduce the severity of losses.
- **Risk Retention:** Accepting manageable risks when they occur.

5.2.4 Risk Reporting

Identified risks, along with analysis, evaluation, and mitigation plans, will be periodically reported to the Risk Management Committee for review and recommendations. The Risk Management Committee shall meet at least twice a year and has the authority to seek information from employees, obtain external legal or professional advice, and secure the attendance of experts if required.

6 Risk Management Tools

Management shall adopt a comprehensive set of Risk Management Tools, including a Risk Register, Risk Control Matrix, and IFC Audit.

6.1 Risk Register

A Risk Register is a repository of risks identified by the management with respect to the entity and its operations, which may be financial and/or operational. The Risk Register shall be made comprehensively by all functional Heads relating to their respective areas and be duly reviewed by the CEO and CFO before submission to the Audit Committee and/or Risk Management Committee.

6.1.1 Risk Register - Salient Features:

- Collates risk information to enable effective sharing and communication.
- Focuses attention on key risks and drives action.
- Links to the capital requirements of the organization.
- Assists in developing a portfolio view of risk.
- Forms the core of the organization’s risk knowledge database and serves as the basis for risk analysis and reporting.

- Facilitates monitoring and review.
- Evidences a systematic and comprehensive approach to risk identification.
- Is subject to regular review and updates.

6.1.2 The Risk Register typically captures:

- A description of the risk, including causes and influencing factors (internal and external).
- The classification of the risk category.
- Probability of occurrence.
- Risk ownership.
- Risk priority classification.
- Mitigation plan.

6.2 Risk Control Matrix

The Risk Control Matrix is a repository of controls placed by management to implement measures to mitigate the risks identified in the Risk Register.

6.3 IFC Audit

From the perspective of the Companies Act, the IFC Audit tests controls implemented by the management to mitigate risks. It evaluates the design and operating effectiveness of these controls.

7 Compliance Responsibility

The Risk Management Committee is responsible for framing, implementing, and monitoring the company's risk management policy, while the Audit Committee ensures adequate systems are in place. The Risk Management Committee reviews and mitigates risks periodically, reporting to the Board and addressing calculated risks to achieve long-term goals, such as sales growth, market expansion, and technological advancements.

Policy compliance is overseen by the designated Risk Officer or CFO, empowered to seek necessary information from management. The Audit Committee conducts annual reviews of the risk management systems.

8 GOVERNANCE STRUCTURE

The Company's Risk Management Framework is supported by the Board of Directors, Management and the Audit Committee

a) Board of Directors

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company;
- Ensure that the appropriate systems for risk management are in place;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks, financial risks, operational risks, investment risks, people's risk, legal and regulatory risks and compliance risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms.

b) Management

Management is responsible for monitoring and whether appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met:

- To assist the Board in discharging its responsibility in relation to risk management;
- When considering the Audit Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks;
- Reporting to the Board of Directors consolidated risks and mitigation strategies on a half yearly basis.

c) Audit Committee

- The Committee is delegated with responsibilities in relation to risk management and the financial reporting process of the Company;

- The Committee is also responsible for monitoring overall compliance with laws and regulations.

9 Review of this Policy

The Risk Management Committee shall review this policy periodically, at least once every two years, considering changing industry dynamics and complexity.

10 Effective Date

This Policy shall be effective from 8th May, 2025.

Date: 8th May, 2025

Place: Kolkata

Annexure 1: Role Of Risk Management Committee

(PART D: ROLE OF COMMITTEES OTHER THAN AUDIT COMMITTEE) 353 [See Regulation 19(4), 20(4), and 21(4)]

The role of the committee shall, inter alia, include the following:

1. **To Formulate a Detailed Risk Management Policy Which Shall Include:**
    - a) A framework for identifying internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly ESG-related), information, cybersecurity risks, or any other risks as may be determined by the Committee.
    - b) Measures for risk mitigation, including systems and processes for internal control of identified risks.
    - c) A business continuity plan.
2. **To Ensure the Presence of Appropriate Methodology, Processes, and Systems:**
    - a) Monitor and evaluate risks associated with the business of the Company.
3. **To Monitor and Oversee the Implementation of the Risk Management Policy:**
    - a) Evaluate the adequacy of risk management systems.
4. **To Periodically Review the Risk Management Policy:**
    - a) Conduct reviews at least once every two years, considering changing industry dynamics and evolving complexities.
5. **To Keep the Board of Directors Informed:**
    - a) Report the nature and content of discussions, recommendations, and actions to be taken.
6. **To Oversee the Appointment, Removal, and Terms of Remuneration of the Chief Risk Officer (If Any):**
    - a) Subject such decisions to the review of the Risk Management Committee.
7. **To Coordinate Activities with Other Committees:**
    - a) In instances of overlapping activities, coordinate as per the framework laid down by the Board of Directors.

Annexure 2: Risks Specific to the Company and Mitigation Measures

STRATEGIC BUSINESS RISK

#	Threat/Process	Mitigation Measures
1	Diversification risk	Continuously innovate and enhance digital and call center service offerings to meet evolving client needs. Leverage data-driven insights to anticipate trends and address market demands proactively.
2	Technology risk	Regularly invest in advanced technologies such as AI, automation, and real-time analytics to stay ahead. Build robust partnerships with technology vendors and continuously upskill teams.
3	Penetration risk	Focus on expanding into emerging geographies and industries. Build multilingual and omnichannel capabilities to attract a diverse client base.
4	Cybersecurity risk	Strengthen cybersecurity measures for client data and proprietary systems, ensuring compliance with global data protection standards. Implement 24/7 monitoring and incident response plans.
5	Data protection risk	Adopt advanced encryption and access controls to safeguard sensitive customer information. Regularly review and update data privacy policies in compliance with GDPR and other regulations.
6	Business continuity risk	Develop and test business continuity plans to address potential disruptions like natural disasters or system failures. Include strategies for remote operations and scalability during crises.

GOODWILL AND BRAND RISK

#	Threat/Process	Mitigation Measures
1	Brand perception	Ensure consistent service quality, deliver measurable ROI for clients, and invest in strong marketing and PR strategies.
2	Uniformity risk	Standardize processes and establish strict quality control across global delivery centers. Conduct regular audits to ensure compliance with service standards.
3	Quality Control risk	Regularly train employees and monitor key performance indicators (KPIs) to ensure excellence in service delivery.
4	Legacy risk	Reinforce the brand’s position through client testimonials, case studies, and continuous innovation in CX solutions.

FINANCIAL RISK

#	Threat/Process	Mitigation Measures
1	Revenue flow dependency on key clients	Diversify the client portfolio across industries and geographies to mitigate dependency on a few major clients.
2	Steady cash flow	Optimize operational costs, maintain a balanced revenue mix, and implement efficient billing systems.
3	Pricing pressure from competitors	Enhance value-added services to justify premium pricing and invest in cost-efficient technologies.
4	Change in Interest Rates	Monitor global economic trends to optimize financial decisions related to loans and investments.
5	Taxation Policy Changes	Maintain a dynamic tax planning process and consult with global tax advisors to ensure compliance and risk mitigation.
6	Financial leverage risks	Regularly evaluate the debt-equity ratio and align funding strategies with long-term goals.
7	Expenditure risks	Implement strict cost controls and conduct periodic reviews of all expenditures.
8	Foreign Exchange (Forex) Risk	Monitor currency fluctuations and hedge forex exposure through financial instruments to mitigate risks.

OPERATIONAL RISK

#	Threat/Process	Mitigation Measures
1	Service disruption	Develop failover systems, redundant networks, and disaster recovery plans to minimize downtime.
2	Scaling operations	Ensure scalable infrastructure and agile workforce management to support client growth needs.
3	Workforce attrition	Invest in employee engagement, continuous training, and competitive compensation structures.
4	Compliance with SLAs	Establish robust monitoring systems to ensure adherence to client Service Level Agreements (SLAs).
5	Security of delivery centers	Implement advanced physical and digital security measures across all locations.

SALES & MARKETING RISK

#	Threat/Process	Mitigation Measures
1	Market competition	Differentiate through innovative solutions like AI-driven analytics, real-time support, and omnichannel capabilities.
2	Customer loyalty	Build long-term relationships through personalized service, proactive communication, and continuous value delivery.
3	Geographic expansion risks	Conduct thorough market analysis and adapt strategies to local cultural and economic conditions.
4	Pricing pressure	Offer customizable service packages to address diverse client budgets without compromising quality.

HUMAN RISK

#	Threat/Process	Mitigation Measures
1	Talent acquisition and retention	Develop a strong employer brand and invest in career development programs.
2	Skill gaps in emerging technologies	Continuously train teams on the latest CX technologies like AI, RPA, and machine learning.
3	Productivity fluctuations	Use performance tracking tools and offer incentives to maintain high productivity.

LEGAL AND COMPLIANCE RISK

#	Threat/Process	Mitigation Measures
1	Contractual disputes	Conduct rigorous contract reviews and establish clear terms with clients.
2	Regulatory compliance	Stay updated with global compliance requirements and implement regular audits.
3	Data protection violations	Ensure full compliance with data protection laws, including GDPR, HIPAA, and CCPA, through periodic assessments.
4	Fraud detection	Strengthen internal controls and implement AI-based fraud detection mechanisms.
5	Employee-related legal disputes	Develop clear employment policies, ensure adherence to labor laws, and maintain comprehensive records of employee agreements and compliance.