



## **PRIVI SPECIALITY CHEMICALS LIMITED**

**(Formerly known as Fairchem Speciality Limited)**

**(CIN: L15140MH1985PLC286828)**

**Regd Off: Privi House, A-71, TTC, Near Koparkhiarne Railway Station, Navi Mumbai -400709**

## **RISK MANAGEMENT POLICY AND PROCEDURES**

**(Revised by the Board at its meeting held on  
Friday, May 14, 2021)**

- 1. Adopted by the Board of Directors at the meeting held on November 05, 2020.**
- 2. Revised version 1.1 adopted by the Board of Directors at the meeting held on May 14, 2021.**

## **Introduction:**

An organization's main object is to reduce the risk by having good internal control and not to enter into risky business as well to keep watch on the movement of market and its clients. Our organization is a Chemical Unit As such there is more risk to life and hygienic conditions in addition to internal and external threats. In western countries it is known as Risk Intelligent Enterprises which means how to preserve the self-identity and create more value for the organization. We have to adopt a good risk management system which establishes a common understanding, language and methodology for identifying, assessing, monitoring key risks and adopt a systematic reporting procedure.

Risk management is, attempting to identify and then manage threats that could severely impact the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

Privi Speciality Chemicals Limited ("PSCL") is one of India's leading manufacturer, supplier and exporter of aroma chemicals. Privi also develops and produces custom-made aroma chemicals as per specific requirement of the customer. The research specialists at in-house R&D centre continuously thrive to develop new products and processes. Privi is recognized as one of the most dependent supplier in terms of product quality, competitive pricing, meeting regulatory compliance and delivering on time.

Privi intends to become the leading aroma chemicals brand across the globe with its wide range of innovative products, reliable quality along with exemplary services, to fulfill the ever growing demand of its customers. This vision can be achieved only through high standards of business conduct and a good risk management policy.

The Executive management of Privi considers the protection of its personnel and assets as paramount to the existence of the Company. It is therefore important to develop and implement an integrated risk management process through sound and proven methods which will minimize the cost of risk whilst preserving life and all assets. The Risk Management Strategy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the Company and events outside Privi which have a bearing on the company's business.

## **Statutory Requirements:**

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

- I. Regulation 17 (9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 states as under:
  - a. The listed entity shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
  - b. The board of directors shall be responsible for framing, implementing, and monitoring the risk management plan for the listed entity.
- II. As per provisions of Regulation 21 of Securities Exchange Board of India (Listing Obligations & Disclosure Requirements), Regulations, 2015 ("SEBI Listing Regulations") Board of Directors have finalized the terms of reference of Risk Management Committee as follows:

- a. Formulate, monitor and review risk management Policy and plans including mitigation of risk, covering investment of surplus funds, management of foreign exchange risks, cyber security risks.
- b. The board of directors shall define the role and responsibility of the Risk Management Committee as required under the relevant provisions of the applicable laws, regulations and various circulars issued by the regulatory authorities, from time to time
- c. The board of directors may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

## B. COMPANIES ACT, 2013

1. Provisions of the Section 134(3) (n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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.
2. Provisions of Section 177(4)(vii) of the Companies Act, 2013 require that 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 risk management systems.

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009.

3. Schedule IV [Section 149(8)] – Code for Independent Directors

### II. Role and functions: [Clauses (1) and (4)]

The independent directors shall:

- a. 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,
- b. satisfy themselves on the integrity of financial information and that the financial controls and systems of risk management are robust and defensible.

### **Benefits of Risk Management:**

- To protect the company's assets
- To safeguard shareholder's investments
- To provide good corporate governance through Board of Directors specializing in various fields with a good team of managers
- To provide sustainability and growth of strong relationships with dealers/customers
- To expand existing markets and penetrating new markets
- To enhance capabilities through technology alliances and acquisitions
- To have a sound Forex Risk Management Policy in view of fluctuating foreign currency market
- To sustain revenue growth to maintain consistent profitability
- To maintain and high quality production with latest storage and packaging materials
- To maintain good R & D Centre to develop new innovations

- To train the staff and keep them updated to achieve all the above objectives.

### **Risk Strategy:**

**Privi** recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner

The Company believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract.
- Reduced, by having good internal controls,
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

In today's challenging and competitive environment, the common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities.

Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk

For managing Risk more efficiently the Company would need to identify the risks that it faces in trying to achieve its objectives. Once these risks are identified, the Whole Time Directors would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention so that steps as appropriate are taken to mitigate the same.

### **Application of a consistent and effective risk management framework will:**

- Increase the likelihood of achieving the strategic objectives of **Privi**.
- Exploit business opportunities and create value to stakeholders.
- Improve stakeholder confidence and trust.
- Encourage proactive management.
- Enable management to respond in a manner that reduces the likelihood of downside outcomes and increases the upside.
- Support effective decision making and planning through better understanding of risk exposures.
- Improve controls.
- Effectively allocate and use resources for risk treatment.
- Improve operational effectiveness and efficiency.
- Enhance health and safety performance, as well as environmental protection.
- Improve loss prevention and incident management.
- Create awareness of the need to identify and treat risks throughout **Privi**.
- Help coordination / integration – Breaking down internal silos by coordinating various pockets of risk management activity for efficiency.
- Help comply with relevant legal and regulatory requirements and international norms.
- Help meet compliance and governance requirements.
- Improve mandatory and voluntary reporting.
- Minimize losses.
- Contribute to the **Privi**'s profits by substantially optimizing the overall cost of risk.

### **Risk Management Framework:**

Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

The Objectives of the Company can be classified into

#### **Strategic:**

- Organizational Growth.
- Sustenance and Growth of Strong relationships with dealers/customers.
- Expanding our presence in existing markets and penetrating new geographic markets.
- Continuing to enhance our industry expertise.
- Enhance our capabilities through technology alliances and acquisitions.

#### **Operations:**

- Consistent Revenue growth.
- Consistent profitability.
- High quality production.
- Further develop Culture of Innovation.
- Attract and retain quality technical associates and augmenting their training.

#### **Reporting:**

- Maintain high standards of Corporate Governance and public disclosure.

#### **Compliance:**

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards.

In principle, risks always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary.

Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures

Privi Organics India Limited adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

- (1) Risk Assessment
- (2) Risk Management
- (3) Risk Monitoring.

#### **Risk Assessment**

Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed.

Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks

To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

**Risk Management Principles:**

For Risk Management to be effective, **Privi** should at all levels comply with the principles given below:

**i. Risk management creates and protects value.**

Risk management contributes to the demonstrable achievement of objectives and improvement of performance e.g., Human Health and Safety, Security, Legal and Regulatory Compliance, Environmental Protection, Product Quality, Project Management, Efficiency in Operations, Governance and Reputation.

**ii. Risk Management is an integral part of all organizational processes.**

Risk Management is not a standalone activity that is separate from the main activities and processes of the organization. Risk Management is part of the responsibilities of management and an integral part of all organizational processes, including strategic planning and all project and change management processes.

**iii. Risk Management is part of decision making.**

Risk management helps decision makers make informed choices, prioritize actions and distinguish among alternative courses of action.

**iv. Risk Management explicitly addresses uncertainty.**

Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

**v. Risk Management is systematic, structured and timely.**

A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results.

**vi. Risk Management is based on the best available information.**

The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgment.

**vii. Risk Management is tailored.**

Risk management is aligned with the organization's external and internal context and risk profile.

**viii. Risk Management takes human and cultural factors into account.**

Risk management recognizes the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organization's objectives.

**ix. Risk Management is transparent and inclusive.**

Appropriate and timely involvement of stakeholders and decision makers at all levels of the organization ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views considered in determining risk criteria.

**x. Risk Management is dynamic and responsive to change.**

Risk management continually senses and responds to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.

**xi. Risk Management facilitates continual improvement of the organization.**

Privi shall develop and implement strategies to improve their risk management maturity alongside all other aspects of their organization.

### **Risk Management and Risk Monitoring**

In the management of Risk the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

**1. Fluctuations in Foreign Exchange**

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD/Euro and accordingly face foreign currency exposure from our sales in other countries and from our purchases from overseas suppliers in U.S dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

The Company has a separate Forex Risk Management Policy which is approved by the Board for foreign currency exposures, specification of transaction limits; identification of the personnel involved in executing, monitoring, and controlling such transactions.

**2. Political Environment**

Any adverse change in the political environment would have an impact in growth strategies of the company. As a policy, however, USA is also fast becoming an emerging economy and due to compulsions of global competitive forces, are stabilizing its industrial policy with considerable reforms to attract foreign investment in various spheres. However, considering its basic political philosophy, we are reviewing existing and future investment strategies on a continuous basis.

**3. Revenue Concentration**

High concentration in any single business segment exposes the company to the risks inherent in that segment. We have adopted prudent norms based on which we monitor and prevent undesirable concentration in a geography, industry, or customer. The quest for diversified activities within the existing realm of overall management after due consideration of the advantages and disadvantages of each activity is consistent with company policy of increasing business volumes with minimum exposure to undue risks. Concentration of revenue from any particular segment of industry is sought to be minimised over the long term by careful extension into other activities, particularly in areas the company has some basic advantage such as availability of land, technical or manpower resources.

#### **4. Inflation and Cost Structure**

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.

#### **5. Technological Obsolescence**

***Privi Organics India Limited's philosophy is to 'Modernise, Indigenise, Never Compromise on Technology'***

The company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

Established contacts with leaders in technology, particularly in the areas of the company's operations, have dividends in our ability to access to newer and evolving processes and their applications in the manufacture of capital goods.

The company's policies also include a favourable dispensation for replacement of Machinery and Equipment on a constant basis to take advantage of such technological movements

#### **6. Financial Reporting Risks**

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure are creating uncertainty for companies. These new or changed laws, regulations and standards are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

We are committed to maintaining high standards of corporate governance and disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

Our preparation of financial statements in conformity with Indian GAAP / Ind AS and in accordance with the Accounting Standards issued by ICAI, requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks. We believe that the accounting policies related to revenue recognition and Accounting for Income taxes are significant.

#### **7. Risks in Chemical Industry**

Being a chemical company, we have to take precautions to safeguard against accidents or ill-health. It is therefore, the duty of the Company to provide the practical and detailed guidelines for e.g.



- How to avoid accidents?
- How to avoid fire or explosions in the plant?

The above can be achieved only when –

- Trained and authorised persons are allowed in storage area;
- Notices are displayed outside the storage area warning unauthorized entry
- Corrosives to be stored in designated, hazard labelled area
- Building designed in a such way that natural ventilation is provided to storage building;
- Store man inspects corrosives storage area daily for signs of damage, bulging or leaking containers and for poor housekeeping; store man to inspect incoming containers to ensure they are compatible, properly labelled and not damaged or corroded.
- Damaged or leaking containers are handled as per Operating Procedure.
- Personal Protective Equipments are provided for store man/operatives, Safety footwear, protective clothing, acid-resistant gloves and goggles etc.
- Emergency eye-wash station and safety shower are checked daily; records maintained in store log;
- Hygiene measures: eating and drinking should not be permitted.
- Mobiles are not allowed in operational areas;
- Medical facility for providing first aid is at a prominent place of the plant;
- Ambulance services are provided for immediate transfer in case of casualty.

### **Measure to be taken**

1. Assess the risks from hazardous chemical agents at workplace;
2. Decide what control measures are needed. These control measures must be identified and specified in writing as a record of the risk assessment;
3. Ensure that the control measures are fully implemented.

The law requires that the control measures are identified in writing (paper or electronic format). All control measures that are important in safeguarding against adverse health effects should be specified.

### **8. Risk of Corporate Accounting fraud:**

Accounting fraud or corporate accounting fraud are business scandals arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc.

The Company mitigates this risk by

- Understanding the applicable laws and regulations
- Conducting risk assessments,
- Enforcing and monitoring code of Conduct for Key Executives
- Instituting Whistleblower mechanisms
- Deploying a strategy and process for implementing the new controls
- Adhering to internal control practices that prevent collusion and concentration of authority
- Employing mechanisms for multiple authorization of key transactions with cross checks
- Scrutinizing management information data to pinpoint dissimilarity of comparative figures and ratios
- Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other

steps throughout the organisation and assign responsibility for leaving the overall effort to a senior individual like Chief Financial Officer.

## **9. Legal Risk**

Legal risk is the risk in which the Company is exposed to legal action.

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, we have an 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 commitments.

Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. Advisories and suggestions from professional agencies and industry bodies, chambers of commerce etc. are carefully studied and acted upon where relevant.

## **10. Human Resource Management**

Privi's Human Resources Development (HRD) Department adds value to all its Units and associate companies by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational 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 relating to manufacturing procedures 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. Packages are inclusive of the proper incentives and take into account welfare measures for the employee and his family.

We seek to provide an environment that rewards entrepreneurial initiative and performance.

### **Risk Management Process:**

In order to implement Risk strategy, the management shall follow a uniform 6 step Risk Management process:

- i) Risk Identification
- ii) Risk Categorization and Classification
- iii) Evaluating different methods of handling risk
  - Risk assumption / Quantification
  - Risk Transfer.
  - Risk Reduction.

- iv) Mitigation Planning
- v) Risk Register
- vi) Risk Monitoring

**Integration of Risk Management Process:**

Risk Management is not a stand-alone discipline but needs to be integrated with the existing business processes to deliver the greatest benefits. As a minimum, risk management must be integrated with the following core processes and all risks identified must be recorded and risk plans framed in Risk Registers.

**Risks specific to the Company and the mitigation measures adopted**

- a. **Business dynamics:** Variance in the demand and supply of the product in various areas. Based on experience gained from the past and by following the market dynamics as they evolve, the Company is able to predict the demand during a particular period and accordingly supply is planned and adjusted.
- b. **Business Operations Risks:** These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:
  - Organisation and management risks,
  - Business interruption risks,
  - Profitability

**Risk mitigation measures:**

- The Company functions under a well defined organization structure.
  - Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
  - Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
  - Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
  - Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.
- c. **Liquidity Risk**
    - Financial solvency and liquidity risks
    - Borrowing limits
    - Cash management risks

**Risk Mitigation Measures:**

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.
- Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.
- These budgets with Variance Analysis are prepared to have better financial planning and

study of factors giving rise to variances.

- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Cash management services are availed from Bank to avoid any loss of interest on collections
- Exposures to Foreign Exchange transactions are supported by LCs and Bank guarantees and steps to protect undue fluctuations in rates etc.

#### **4. Credit Risks**

- Risks in settlement of dues by dealers/customers
- Provision for bad and doubtful debts

##### **Risk Mitigation Measures:**

- Systems put in place for assessment of creditworthiness of dealers/customers.
- Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
- Appropriate recovery management and follow up.

#### **5. Human Resource Risks**

Employee Turnover Risks, involving replacement risks, training risks, skill risks, etc.

##### **Risk Mitigation Measures:**

- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- Employees are trained at regular intervals to upgrade their skills.
- Activities relating to the Welfare of employees are undertaken.
- Employees are encouraged to make suggestions and discuss any problems with their Superiors.

#### **6. Disaster Risks:**

Natural risks like Fire, Floods, Earthquakes, etc.

##### **Risk Mitigation Measures:**

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.
- Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

#### **7. System Risks:**

- a. System capability
- b. System reliability
- c. Data integrity risks
- d. Coordinating and interfacing risks

**Risk Mitigation Measures:**

- IT (Information Technology) department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- The Company ensures “Data Security”, by having access control/ restrictions.

**8. Legal Risks**

**These risks relate to the following:**

- Contract Risks
- Contractual Liability
- Frauds
- Judicial Risks
- Insurance Risks

**Risk Mitigation Measures:**

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to Legal aspects:

- A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
- The Legal Department vets all legal and contractual documents with legal advice
- Contracts are finalized as per the advice from legal professionals and Advocates.
- Insurance policies are audited to avoid any later disputes.
- Timely payment of insurance and full coverage of properties of the Company under insurance.
- Internal control systems for proper control on the operations of the Company and to detect any frauds.

**9. Foreign Exchange and Interest Rate Risk Management**

**A. Exposures**

The Company has currency exposures in the form of Sundry Debtors, Sundry Creditors and Loans to Subsidiary company etc.

**B. Risk Identification**

1. Foreign currency exposures are recognized from the time an import/export order/contract is signed and as per contractual maturity prior to opening of Letters of Credit and/or Purchase Orders by customers.
2. All exposures are considered month wise for the current year and quarter wise for later exposures. Besides, the cash flows are prepared and monitored for each currency separately.
3. The company’s budgeted exchange rates are not be used for quotations or exposure management or performance evaluation of treasury.
4. The Company follows a separate Forex Risk Management Policy approved by the Board.

### **C. Risk Measurement**

Measurement of the risk will be done through the net open position in a currency, multiplied by the predetermined "stop loss" levels. The net open position is the difference between unhedged receipts and payments in each currency. Stop loss level means the predetermined level at which an unhedged exposure could be hedged.

The stop loss level has to be applied in relation to a benchmark. The forward exchange rate applicable to the maturity of an exposure, ruling when the exposure is identified for risk management purposes, will be used as the benchmark.

### **D. Risk Control**

1. Risk limitation or reduction is the prime objective in framing the policy.
2. The Company will keep net open position limits in accordance to the approval of the Risk Management Committee and also consider the natural insurance cover into consideration.
3. Company's bankers are consulted and suitable exposures in the form of limited buyers' credit and other instruments are evolved to mitigate exchange rate fluctuations as well as in interest rates tied to LIBOR and other like rates.

### **Risk Management - Structure, Responsibility and Escalation:**

The Whole Time Directors and Senior Management must assess risks arising from external and internal factors while evaluating the robustness of risk management systems.

In order to achieve the compliance, a sub-Committee should be formed consisting of the Head of Department / Senior Management Personnel from the following departments:

- Production (Plant)
- Design and Projects
- Research and Development
- Accounts and Finance
- Marketing / Business Development
- Commercial
- Human Resources
- Legal
- Registration

The Sub-Committee shall –

- Identify and evaluate various risks
- Implement risk management across all the business units and critical support functions.
- Make risk management a joint responsibility of all concerned
- Link risk management to business performance of the Company.

Each Sub-Committee member will ensure the effectiveness of the risk monitoring process across his work area.

The Sub-Committee shall submit half yearly reports for periods ending in September and March every year by 15<sup>th</sup> of the subsequent month. The Risk Management Committee shall discuss strategic as well as operational risks and their mitigation plan. The Risk Management

Committee shall evaluate the risks and give its report to the Board of Directors for their directions thereon.

MD/ED/President of Privi would be the Coordinators for all "Risk Management" related matters.

### **Integration of Risk Management Strategy**

Company's Risk Management strategy is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

### **Penalties**

The penalties are prescribed under the Companies Act, 2013 under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Companies Act, 2013 as well as SEBI Act which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to RISK.