RISK MANAGEMENT

POLICY

OF

SHARDA CROPCHEM LIMITED

RISK MANAGEMENT POLICY:

1. Background:

Risk management is attempting to identify and then manage threats that could severely impact or bring down 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. This policy has been updated in its Board Meeting dated 24th January, 2024.

This policy shall, overall, be governed by Companies Act 2013 and the SEBI Regulations as may be amended from time to time.

2. Policy Objective:

The objective of this policy is to ensure that the Board, its Audit Committee and its executive management should collectively identify the risks impacting the Company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.

3. Risk Mitigation Strategy:

The Company 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

a. Assigned to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;

b. Reduced, by having good internal controls;

c. Avoided, by not entering into risky businesses;

d. Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;

e. Shared, by following a middle path between retaining and assigning risk.

In today’s challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. 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, legal risk, etc. For managing Risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the risk manager would need to evaluate these risks to see which may have critical impact on the Company and which may not have significant impact to deserve further attention.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

4. Risk Management Framework:

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

The Objectives of the Company can be classified into:

❖ **Strategic:**

- ✓ Organizational Growth;
- ✓ Comprehensive range of Products;
- ✓ Sustenance and Growth of Strong relationships with suppliers/contractors/sub-contractors/regulatory authorities/customers/employees;
- ✓ 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.
- ✓ Enhance our business growth through research, innovation and creating new innovative products.

❖ **Operations:**

- ✓ Consistent Revenue growth;
- ✓ Consistent profitability;
- ✓ Effective and timely execution of projects;
- ✓ Further develop Culture of Innovation;
- ✓ Effective and timely services/supplies to customers.

❖ **Compliance:**

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

The Company considers activities at all levels of the organization, viz., Enterprise level; Division level; Business Unit level; Subsidiary and Joint Venture level are considered in the risk management framework. All these components are interrelated and drive the Enterprise Wide Risk Management with focus on three key elements, viz.

(1) Risk Assessment;

(2) Risk Management;

(3) Risk Monitoring

5. 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.

6. 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:

(i) Economic Environment and Market conditions;
(ii) Fluctuations in Foreign Exchange;
(iii) Political Environment;
(iv) Competition;
(v) Revenue Concentration;
(vi) Inflation and Cost Structure;
(vii) Technological Obsolescence;
(viii) Financial Reporting Risks;
(ix) Legal Risk;
(x) Compliance with Local Laws;
(xi) Project Management;
(xii) Environmental Risk Management;
(xiii) Human Resource Management.

7. Risk Mitigation Measures Adopted by the Company:

The Company has adopted the following measures to mitigate the risk arising out of Business Operation, Liquidity, Credit, Industry, Human Resource, Disaster, System, Legal, etc.

- ✓ 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 or Functions.
- ✓ Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
- ✓ Effective steps are being taken on a continuing basis taking various changing scenarios in the market.
- ✓ Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization.
- ✓ 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.
- ✓ Exposures to Foreign Exchange transactions are supported by LCs and Bank guarantees and steps to protect undue fluctuations in rates etc.
- ✓ Systems put in place for assessment of creditworthiness of contractors/sub-contractors/ dealers/vendors/customers.
- ✓ Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
- ✓ Appropriate recovery management and follow up.
- ✓ Required materials are procured from different sources at competitive prices.
- ✓ 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.

- ✓ 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.
- ✓ Employees of the Company are covered under ESI, EPF, etc., to serve the welfare of the workmen.
- ✓ IT 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.
- ✓ The Legal department vets all legal and contractual documents with legal advice from Legal retainers for different branches of legislation.
- ✓ 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.

8. Committee:

The Company has constituted Risk Management Committee as per Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

GOVERNANCE

- **Roles & Responsibilities of the Committee will be as follows:**

1. 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.

2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

5. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;

6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

7. To perform such other activities related to Risk Management Plan as requested by the Board of Directors or to address issues related to any significant, subject within its term of reference

8. The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

- **Members of the Risk Management Committee:**

Name	**Designation**	**Chairperson / Member**
Mr. Ramprakash V. Bubna	Chairman & Managing Director	Chairperson
Ms. Sonal Desai	Independent Director	Member
Mr. Manish R. Bubna	Executive Director	Member

- **Quorum:**

  Two members or 1/3rd of the members of the Committee whichever is higher, including atleast one member of the board of directors.

- **Meeting:**

  The Committee shall meet at least twice in a year and not more than one hundred and eighty days shall elapse between any two consecutive meetings.

- **Company Secretary:**

  The Company Secretary of the Company shall act as the secretary to the Committee.

- **Minutes:**

  Minutes of proceedings of the meetings of the Committee, shall be kept in the same manner as the minutes of any meeting of the Board of Directors, and shall be submitted to the Directors at the next meeting of the Board of Directors for its information/ratification.

9. <u>Disclaimer Clause:</u>

The Management cautions readers that 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 management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.