SUKHJIT STARCH & CHEMICALS LIMITED

‘Risk Management Policy’

1. INTODUCTION

The Sukhjit Starch & Chemicals Ltd. (the “Company”) Board of Directors (“the Board”) recognises that risk management and internal control are key elements of good corporate governance. This Policy describes the manner in which the Company identifies, assesses, monitors and manages risk.

2. BACKGROUND

The Company is engaged in the manufacture of starch & its derivatives having manufacturing facilities in Punjab, Telegana, West Bengal & Himachal Pradesh. The business activities of the Company carry various internal and external risks.

‘Risk’ in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

‘Risk Management’ is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:
- More effective strategic planning
- Better cost control
- Enhancing Shareholder value by minimising losses and maximising opportunities
- Increased knowledge and understanding of exposure to risk
- A systematic, well-informed and thorough method of decision making
- Minimised disruptions
- Better utilisation of resources
- Forward thinking and active approaches of management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the events, if any critical threat is realised.

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: Government Policies & Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs of Raw Material, limited resources, retention of talent, regional economic conditions, demand scenario, local labour conditions, climatic conditions etc.

3. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and the SEBI (LODR) Regulations, 2015 of the Equity Listing Agreement have also incorporated various provisions in relation to Risk Management policy/ systems, procedure and practices.

The provisions of 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.

Further, the 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.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a **"Risk Management Policy"** (this Policy) of the Company

4. PURPOSE AND SCOPE OF THE POLICY

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.

The specific objectives of this Policy are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- To establish a framework for the company's risk management process like setting boundaries of risk taking and identifying/ evaluating the significant risks to the achievement of objectives and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.
- To incorporate risk responses into a system of internal control which is designed to address opportunities, protect people, the environment and assets, facilitate effective and efficient operations and help to ensure reliable reporting and compliance with applicable laws and regulations.
- To monitor the effectiveness of the system of risk and internal control management.

5. APPLICABILITY

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

6. RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

- **External Risk Factors**
  - **Economic Environment and Market conditions**
  - **Political Environment**
  - **Government Policies and regulations**
  - **Competition and demand scenario**
  - **Inflation and Cost structure-**
    Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer time-frame, as much higher risks for inflation and resultant increase in costs.
  - **Climatic conditions-**
    The Basic Raw Material of the Company i.e. Maize is an Agri-Produce, the quality/ availability of which is subject to natural vagaries and climatic conditions like droughts/ excessive rains etc. Company always tries to remain vigilant on this front and maintains appropriate level of stocks to ensure un-interrupted running of its operations.
  - **Technology Obsolescence –**
    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.
  - **Legal –**
    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, the Company is exposed to legal risk.
  - **Fluctuations in Foreign Exchange-**
    The Company has limited currency exposure in case of sales, purchases and other expenses. It has 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. The risk can be controlled by a mechanism of "Stop Loss" which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.
- **Internal Risk Factors**
  - Project Execution
  - Contractual Compliance
  - Operational Efficiency
  - Hurdles in optimum use of resources
  - Quality Assurance
  - Environmental Management
  - Human Resource Management
  - Culture and values

7. RESPONSIBILITY FOR RISK MANAGEMENT

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is 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.

8. ACCOUNTING

The Company must keep accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the company at that time and enable the directors to ensure that any accounts prepared by the company comply with the requirements of the applicable statutes.

The accounts of the Company must give a true and fair view of, or be presented fairly in all material respects so as to show, the profit or loss of the Company for the period covered by the accounts and the state of its affairs at the end of the period and must otherwise comply with any other requirements of the Companies Act and applicable Accounting Standards.

9. COMPLIANCE AND CONTROL

Although the Board retains responsibility for assessing the effectiveness of the Company's systems for management of material business risks, the following Committees have been constituted to assist the Board in internal control and business risk management:-

- ❖ Audit Committee
- ❖ Nomination and Remuneration Committee
- ❖ Stakeholder Relationship/ Grievance Committee
- ❖ Corporate Social Responsibility Committee

Further, all the Senior Executives under the guidance of the Managing Director and the Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executives consider and assess the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

10. RISK MANAGEMENT PROCESS

The Risk Management Process will enable the identification, assessment, monitoring and management of material risk throughout the group. It consists of eight interrelated components:

- internal environment - which involves setting the foundation for how risk and control are viewed and addressed by the Company's employees;

- objective setting - which involves ensuring that management has a process in place to set objectives and that the chosen objectives align with the Company's mission and vision;

- event identification - which includes identifying internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives;
- risk assessment - which requires an analysis of identified risks in order to form a basis for determining how they should be managed;

- risk response - which requires management to select an approach or set of actions to mitigate risks where appropriate taking into account the Company's risk profile;

- control activities - which includes the establishment and execution of policies and procedures to help ensure that the risk responses management selected are effectively carried out;

- information and communication - which requires relevant information to be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities; and

- monitoring - which requires that the Risk Management Process be monitored, and modifications made as necessary, to ensure the system can react dynamically and change as conditions warrant.

11. REVIEW

This Policy shall be reviewed at periodic intervals as may be deemed fit by the Board of Directors to ensure that it meets the requirements of legislation and the needs of the organization.

12. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.