

# MAHAAN FOODS LIMITED

## RISK MANAGEMENT POLICY

### BACKGROUND

This document lays down the framework of Risk Management at Mahaan Foods Limited (hereinafter referred to as the ‘**Company**’ or ‘**MFL**’ and defines the policy for the same. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, control and mitigate the identified risks.

### OBJECTIVE

The objective of Risk Management at **MFL** is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee’s job.

### STRATEGIC OBJECTIVES

1. Providing a framework that enables activities to take place in a consistent and controlled manner.
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/threats.
3. Contributing towards more efficient use/allocation of the resources within the organization.
4. Protecting and enhancing assets and company image.
5. Reducing volatility in various area of the business.
6. Developing and supporting people and knowledge base of the organization.
7. Optimizing operational efficiency.

### REGULATORY

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

#### **A. COMPANIES ACT, 2013**

##### **1. Provisions of the Section 134(3):**

There shall be attached financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include 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. Section 177(4) stipulate:**

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 internal financial controls and risk management systems.

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## 3. SCHEDULE IV

[Section 149(8)]

### CODE FOR INDEPENDENT DIRECTORS

#### i. Role and functions:

The independent directors shall:

- (1) 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;
- (2) satisfy themselves on the integrity of financial information and that financial controls and the system of risk management are robust and defensible;

#### B. CLAUSE 49 OF LISTING AGREEMENT

Key functions of the Board

The Board should fulfill certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
2. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law relevant standards.

#### C. CLAUSE VI OF CLAUSE 49

1. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
2. The Board shall be responsible for framing, implementing and monitoring the risk Management plan for the company.
3. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

### DEFINITIONS

**“Risk Management Committee”** means Committee of Board of Directors of the Company constituted under the applicable provisions of Companies Act, 2013 and Clause 49 of Listing Agreement.

**“Policy”** means Risk Management Policy.

### POLICY

Before proceeding to the policy attention is drawn to the roles that the Board and Risk Management Committee are required to play under the above regulations governing Risk Management.

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The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Risk Management Committee's role is evaluation of risk management systems.

## **BROAD PRINCIPLES**

The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others Communication of Risk Management Strategy to various levels of management for effective implementation is also the responsibility of the Board of Directors.

The following steps to be taken for identifying and mitigating risk in the company

## **RISK IDENTIFICATION:**

To identify organization's exposure to uncertainty. Risk may be classified in the following:

- i. Strategic
- ii. Operational
- iii. Financial

## **RISK DESCRIPTION:**

To display the identified risks in a structured format

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Strategy, regulatory risk/Technology Risk. <i>Business Risk,</i> i) Market recession and size of ad spend ii) Newsprint price volatility and availability on timely basis iii) Readership and circulation adverse/negative growth iv) Important defamation cases and impact (legal liability) on the brand/business.
Quantification of Risk	Significance and Probability
Risk Tolerance/Appetite	Loss Potential and Financial impact of Risk
Risk Treatment and control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring and Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Responsibility to develop Strategy and Policy

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## **RISK EVALUATION:**

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

## **RISK ESTIMATION:**

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit –Both Threats and opportunities.

## **REPORTING:**

1. Internal Reporting
  - (a) Risk Management Committee
  - (b) Board of Directors
  - (c) Vertical Heads
  - (d) Individuals

2. External Reporting

To communicate to the stakeholders on regular basis as part of good Corporate Governance.

## **DEVELOPMENT OF ACTION PLAN**

The Board has constituted a Risk Management Committee consisting of three (3) Directors, and defined the Committee's role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of Risk Management Committee shall discharge the role of "Think Tank" ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses 'MFL' is engaged in or shall undertake.

Risk Management Committee shall critically examine the each identified risk and shall also assess for its likely impact Vis a Vis the resources at the Company's disposal.

## **GUIDELINES TO DEAL WITH THE RISKS**

Business Plan including Capital Expenditure and Fund Flow statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedule, Assets, Account Receivables and Payable as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

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## **BOARD APPROVAL**

The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on;

## **RISK TREATMENT**

Treatment of Risk through the process of selecting and implementing measures to mitigate through the process of selecting and implementing measures to mitigate risks. To priorities risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/mitigation and extends to **risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for**

- a) Effective and efficient operations
- b) Effective internal controls
- c) Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

Enterprise Risk Planning (ERP package) shall play a key role in timely availability of all data/reports required for the Committee to develop the Action Plan as stated above.

The Board shall have the discretion to deal with certain risks (may be called key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with the Audit Committee.

## **INTEGRATION OF RISK MANAGEMENT STRATEGY**

**MFL** 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.

## **REVIEW**

This policy shall evolve by review by the Risk Management Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.