



SANGAL PAPERS LIMITED

CIN- L21015UP1980PLC005138

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RISK MANAGEMENT POLICY

'Risk Management Policy'

1. BACKGROUND:- SANGAL PAPERS LIMITED ("The Company") engages in the manufacture of paper and papers products in India and Supply the products in India and some other countries. The business activities of the Company carry various internal and external risks. (a) **'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. (b) **'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.

A Effective risk management roadmap requires:- A strategic focus, proper structure of risk management, Forward thinking and active approaches to management, Balance between the cost of managing risk and the anticipated benefits, Contingency planning in the event that critical threats are realized.

2. LEGAL FREAMWORK:- Under The provisions of Section 134(3)(n) of the Companies Act, 2013 and Rule 17(9) of sub-rule (a), (b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other law(s), rule(s), regulation(s), if any 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.

3. PURPOSE AND SCOP 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 (a) are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management. (b) To establish a framework for the company's risk management process and to ensure its implementation. (c) To enable compliance with

appropriate regulations, wherever applicable, through the adoption of best practices. (d) To assure business growth with financial stability.

4. APPLICABILITY OF POLICY:- This Policy applies to all areas and functions of the Company's operations or activities.

5. DEFINITIONS:-

Risk Assessment:- The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks

Risk Management:- The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

Risk Management Process:- The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

6. RISK FACTORS:- The objectives of the Company are subject to both external and internal risks that are enumerated below:- (a) External Risk Factors (i) Economic Environment and Market conditions (ii) Political Environment (iii) Competition (iv) Revenue Concentration and liquidity aspects:- Each business area of products such as pumps, turbines, motors, generators, switchgears and turnkey projects and other activities has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and milestone payment requirements, they carry higher risks for profitability and liquidity. (v) Inflation and Cost structure (vi) 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 timeframe, as much higher risks for inflation and resultant increase in costs. (vii) 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. (viii) 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. (ix) Natural Risk:- Natural risk is risk which is uncontrolled and can be only reduced by adoption of risk management policy by the risk management committee. There are some policies adopted by the company for reduce the burden of such type of risks such as Marine insurance, insurance of factory and machines, etc.

(b) Internal Risk Factors— (i) Project Execution (ii) Contractual Compliance (iii) Operational Efficiency (iv) Hurdles in optimum use of resources (v) Quality Assurance (vi) Environmental Management (vii) Human Resource Management (viii) Culture and values, etc.

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. **COMPLIANCE AND CONTROL:-** All the Senior Executives under the guidance of the Chairman and 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 Executive considers and assesses 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.

9. **REVIEW:-** This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

10. **RISK MANAGEMENT COMMITTEE** The Board of Directors of the Company at their meeting held on 28th March 2015 have formed a Risk Management Committee comprising of following persons who shall periodically review the risk management policy of the Company so that the management controls the risk through properly defined network.

- (a) Mr. Prem Sethi : Chairman/ Independent Director
- (b) Mrs. Geeta Gupta : Member/Independent Director
- (c) Mr. Himanshu Sangal : Member/Executive Director
- (d) Mr. Tanmay Sangal : Member/Executive Director

11. **RISK MANAGEMENT PROGRAM** The day to day oversight and management of the Company's risk management program has been conferred upon the risk Management Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Risk Management Committee is responsible for:

- Managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units and regularly reviewing the progress of action plans;
- Setting up internal processes and systems to control the implementation of action plans;
- Regularly monitoring and evaluating the performance of management managing risk;
- Providing management and employees with the necessary tools and resource to identify and manage risks;
- Regularly reviewing and updating the current list of material business risks;
- Regularly reporting to the Board on the status of material business risks; and
- Ensuring compliance with regulatory requirements and best practices with respect to risk management.

12. **AMENDMENT:-** This Policy can be modified at any time by the Board of Directors of the Company as per requirements and conditions.