DHAMPUR BIO ORGANICS LIMITED
“RISK MANAGEMENT POLICY”

A. INTRODUCTION:

All sectors of the Indian economy in current market scenario have shifted their focus towards the risk management as the key to making organizations successful in delivering their objectives while protecting the interests of their stakeholders.

Risk management is not an isolated activity. It is one element together with planning,project and performance management of effective governance and 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 realization of opportunities.

Organizations of all types and sizes face internal and external factors and influences that make it uncertain whether and when they will achieve their business objectives. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as **"Risk Management".**

Effective Risk Management requires:

- ✓ A strategic focus.
- ✓ Forward thinking and active approach.
- ✓ Balance between the cost of managing risk and the desired benefits, and
- ✓ Contingency planning in case of critical threats.

B. DEFINITIONS:

- **"CONSEQUENCE":** means potential resulting events that could be affected by the key group risk.

- **"RISK":** means as the threat of some event, action or loss of opportunity that, if occurs, will adversely affect Value to shareholders, Ability of company to achieve objectives, Ability to implement business strategies, manner in which the company operates and Reputation.

- **"RISK MANAGEMENT":** can be defined as 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 unfortunate eventsor to maximize the realization of opportunities.

- **"RISK MANAGEMENT COMMITTEE (RMC)":** means committee nominated by the Board.

- **"RISK MANAGEMENT POLICY"**: aims to demonstrate that "**DHAMPUR BIO ORGANICS LIMITED"** is acting appropriately to anticipate risks, assess risks, avoid risk, embrace necessary or desirable risks with appropriate safeguards and response to risk, whether by insurance, control measures or avoidance, is proportionate and effective and that responsible staff are equipped to take risk-based decisions.

- **"RISK REGISTER":** means a document that is used as a risk management tool to identify potential setbacks within a project. This process aims to collectively identify, analyze, and solve risks before they become problems.

- **"RISK SOURCE":** means Element which alone or in combination has the intrinsic potential to give rise to risk.

- **"TRIGGER EVENTS":** means Events or conditions that could lead to the risk.

C. PURPOSE:

- To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed.

- To establish a framework for the company's risk management process 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.

- Ensure that adverse risks are either avoided, reduced to an acceptable level, or managed and contained; and to do so in good time and on a continuous basis.

- To Support individual members of staff and teams to take appropriate risk-based decisions

- Ensure business continuity wherever possible and respond effectively when this is threatened.

- Enable a robust audit trail to demonstrate that we are capable of managing risk.

- Assure funders/investors that there is a robust approach in place to assess and manage risk.

"DHAMPUR BIO ORGANICS LIMITED" is committed to high standards of conducting its business and have an effective risk management framework for:

- Achieving sustainable business growth.
- Protecting the company's assets.
- Avoiding major surprises related to the overall control environment.
- Safeguarding shareholder investment and
- Ensuring compliance with applicable legal requirements.

D. LEGAL FRAMEWORK:

COMPANIES ACT, 2013:

As per **section 134(3)(n) of the Companies Act, 2013,** Companies are required to make a statement which is to be included in the Director's Report ("Board"), 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.

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:

As per **Regulation 17(9) of the SEBI LODR, 2015**, the listed entity shall -

(i) Lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

(ii) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

"DHAMPUR BIO ORGANICS LIMITED", is required to adhere to the regulations made both by the **Companies Act, 2013** and **SEBI (LODR) Regulations, 2015**.

Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

E. TYPES OF RISKS:

(i) Strategic Risks: These relates to challenging the goals and the company's mission.

(ii) Operational Risks: These relates to effective and efficient use of company's resources and day to day operations.

(iii) **Regulatory Risks:** These relates to the company's compliance with applicable laws and regulations.

F. APPLICABILITY:

This Policy applies to all areas of the Company's operations. It forms part of Company's governance framework and applicable to all employees, contractors and volunteers.

G. POLICY STATEMENT:

✓ **"DHAMPUR BIO ORGANICS LIMITED"** is committed to develop and enhance an integrated Risk Management Framework/ structure for:

- Achieving the strategic objective while ensuring appropriate management of risks.
- Ensuring protection of stakeholder's value.
- Providing clear & strong basis for informed decision making at all levels of the organization.
- Striving towards strengthening the Risk Management System through continuous improvement.

✓ Every employee of the company is recognized as having role in risk management for identification of risks and is invited & encouraged to participate in the process.

✓ A Risk Management Committee will be constituted to determine Key Risks, communicate Policy, objectives, procedures & guidelines and to direct & monitor implementation, practice & performance throughout the Company.

H. KINDS OF RISK FACTORS:

A. EXTERNAL RISK FACTORS:

- Theft.
- Fluctuations in foreign exchange and interest rates.
- Legal Restrictions.
- Political Environment.
- Competition.
- Economic Environment and Market Fluctuations.
- Revenue Concentration and liquidity aspects Inflation.
- Cyber Security Legal.
- Cost structure Technology Obsolescence.

B. *INTERNAL RISK FACTORS*:

- Securing Human Resources.
- Hurdles in optimum use of resources.
- Quality Control & Quality Assurance.
- Information Management.
- Project Execution.
- Contractual Compliance.
- Operational Efficiency.
- Environmental Management.
- Information Systems.
- Human Resource Management in retaining skilled & talent personnel.

I. RISK MANAGEMENT PROCESS:

The risk management process adopted by **"DHAMPUR BIO ORGANICS LIMITED"** has been tailored to the business processes of the organization.

The process consists of the following steps:
Step 1: Risk Identification.
Step 2: Risk Analysis.
Step 3: Risk Evaluation.
Step 4: Risk reviews.
Step 5: Risk Treatment.

STEP 1: RISK IDENTIFICATION:

Risk identification can start with the source of problems, or with the problem itself. This stage involves identification of sources of risk, areas of impacts, events (including changes in circumstances) and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

STEP 2: RISK ANALYSIS:

Risk analysis involves:

- Consideration of the causes and sources of risk.
- The trigger events that would lead to the occurrence of the risks.
- The positive and negative consequences of the risk.
- The likelihood that those consequences can occur.

Factors that affect consequences and likelihood should be identified. Risk is analyzed by determining consequences and their likelihood, and other attributes of the risk.

STEP 3: RISK EVALUATION:

The third step is to assist in making decisions, based on the outcome of risk analysis, about which risks need treatment and the priority for treatment implementation. This is called Risk evaluation. It involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

STEP 4: RISK REVIEW:

The forth step involves the re-examination of all risks recorded on the risk register to ensure that the current assessments remain valid and review the progress of risk reduction actions. Risk reviews should form part of every Risk Management Committee meeting agenda. The risk register is reviewed and assessed annually.

STEP 5: RISK TREATMENT:

Risk treatment involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The implemented action plans should have the effect of risks getting eliminated, mitigated or transferred.

1. Avoidance (eliminate, withdraw from or not become involved)

2. Reduction (optimize - mitigate)

3. Sharing (transfer - outsource or insure)

4. Retention (accept and budget)

The general risk management process is as shown below-

J. RISK MANAGEMENT COMMITTEE

CONSTITUTION:

The Company has a committee of the Board, namely, the Risk Management Committee, which was constituted with the overall responsibility of overseeing and reviewing risk management across the Company. The terms of reference of the Risk Management Committee are as follows:

- Review of strategic risks arising out of adverse business decisions and lack of responsiveness to changes;
- Review of operational risks;
- Review of financial and reporting risks;
- Review of compliance risks;
- Review or discuss the company's risk philosophy and the quantum of risk, on a broad level that the company.

COMPOSITION:

The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

The Chairperson of the Risk management committee shall be a member of the board of directors and members of the committee may be senior executives of the Company.

MEETINGS:

The Risk Management Committee shall meet at least twice in a year.

AUTHORITY:

The Committee shall have free access to management and management information. The Committee, at its sole authority, may seek the advice of outside experts or consultants where judged necessary.

K. ROLES AND RESPONSIBILITIES:

BOARD OF DIRECTORS:

- To define the roles and responsibilities of the Risk Management Committee;
- To delegate monitoring and reviewing of the risk management plan to the Committee;
- To Ensure that the appropriate systems for risk management are in place;
- To bring an independent judgment on issues of risk management and ensure that the systems of risk management are strong and sound;
- To continually monitor the management of strategic risks;

- To Review company’s approach to risk management regularly;
- To approve changes where necessary to key elements of Risk management processes and procedures.

<u>RISK MANAGEMENT COMMITTEE:</u>

- To Review adequacy and effectiveness of business risk management;
- To Review and approve audit plans be it internal or external;
- To Monitor business risk reporting
- To Advise on Risk initiatives to the Business Units;
- To Improve risk management techniques and enhances management awareness;
- To Set standards for risk documentation and monitoring;
- To Monitor emerging issues and suggest best practices;

<u>MANAGERS:</u>

- To ensure that all the staff is complying with the risk management policy and promote a culture where risks can be identified and escalated.

<u>EMPLOYEES:</u>

- To Comply with requests of the Management in connection with this policy;
- To exercise reasonable care to prevent loss;
- To maximize opportunity and
- To ensure that the operations, reputation and assets are not adversely affected.

L. REVIEW:

This risk management policy shall be reviewed at least once in two years to ensure that therequirements of legislation & the needs of organization have been met.

While performing the review, following points needs to be taken care of:

- To Review the previous year’s track record on risk management of the Company;
- To consider whether DBOL has made the right decisions on risks;
- To consider the internal and external risk profiles of the coming years;
- To consider whether the current internal control arrangements are likely to be effective or not.

M. AMENDMENT:

The Policy is to be reviewed by the Board of Directors as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Board. The Board of Directors on its own, can amend this Policy, as and when deemed fit.

In case of any subsequent amendment(s), clarification(s), circular(s) in the provisions of the law or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the said Regulations, then such amendment(s), clarification(s), circular(s) etc. would prevail over this Policy and the provisions in the policy shall stand amended accordingly to make it consistent with such amendment(s), clarification(s), circular(s) etc.

N. COMMUNICATION OF THIS POLICY:

- This Policy shall be posted on the website of the Company.

- This policy and the manner in which it is being implemented must also be disclosed in the Board's report.

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