RISK MANAGEMENT POLICY

Adopted by the Board of Directors on 21.06.2021

Amended by the Board of Directors on 10.11.2021

KAMDHENU LIMITED

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RISK MANAGEMENT POLICY

1. BACKGROUND

1.1 Requirement as per Companies Act, 2013 ('the Act'):

- **Responsibility of the Board**: As per Section 134(3) of the Act, requires the Board of Directors of a Company, as part of the Board's Report, to furnish 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.
- **Responsibility of the Audit Committee** : As per Section 177(4) of the Act, Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include- (vii) Evaluation of internal financial controls and **risk management systems**.
- **Responsibility of the Independent Directors**: As per Schedule IV of the Act [Section 149(8)] - Code for Independent Directors II. 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; (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

1.2 Requirement as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"):

- **Regulation 17(9) of the Listing Regulations,** requires the Company to lay down procedures about risk assessment and risk minimization.
- **Regulation 21 of the Listing Regulations,** requires the Risk Management Committee to formulate 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.

Listing Regulations notified on July 08, 2016 read with SEBI notification dated May 05, 2021 effective from May 06, 2021, as amended from time to time, requires top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a Risk Management Policy (hereinafter referred as "Policy"). As per the amendment, once the provisions of Listing Regulations become applicable to a listed entity on the basis of market capitalisation, it shall continue to apply irrespective of change in the market capitalization.

2. OBJECTIVE

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 inter alia 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 identification of internal and external risks specifically faced by the Company, 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 Risk Management Committee ("the Committee")for the company's risk management process and to ensure its implementation.
- To measure risk mitigation including systems and processes for Internal Control of identified risks.
- To formulate Business Continuity Plan.

- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

3. RISK MANAGEMENT COMMITTEE:

3.1 COMPOSITION AND FUNCTION:

The Risk Management Committee shall consist of 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 senior executives of the listed entity may be members of the committee.

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

The Risk Management Committee shall:

- review the Risk report produced by the Management at frequent intervals;
- the reports from the various assurance functions on a periodic basis;
- the Committee shall also take note of risk related disclosures made by Management in regulatory filings such as the Annual Report, Information Memorandum etc.;
- assist the Audit Committee and the Board of Directors in the evaluation of risk management systems of the Company.

3.2 MEETINGS:

The Risk Management Committee should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

4. RISK MANAGEMENT FRAMEWORK

4.1 PURPOSE OF FRAMEWORK:

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

A framework for identification of internal and external risks faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environmental, Social and Governance related risks), information, cyber security risks or any other risk as may be determined by the Committee shall be prepared.

4.2 PROCESS OF RISK MANAGEMENT IMPLEMENTATION:

i. **Schedule for Risk Management Implementation:**
The Chief Risk Officer ("CRO") will be supported by a Risk Management team consisting of Head of the Departments ("HODs"). This team will implement the Risk Management in their respective departments.

ii. **Orientation Program on Risk Management:**
HODs will conduct the Orientation Program for their respective department, whenever required, if any.

iii. **Risk Mitigation at Department level:**
The HODs of the respective departments is called "RISK OWNER" who finally short list the potential risks of his department which need mitigation plan.

iv. Risk Profile

Risk profiles are to be prepared by the concerned HOD which contains vital information about the risk, contributing factors, risk treatment plan, responsibilities and target dates etc.

v. Periodical Reviews:

The risks are to be monitored and treated by the Risk owner as scheduled in the risk profile. The risk owner will review all the risks identified and profiled on **quarterly basis** with reference to the risk treatment plan. The risk owners are required to record the treatment of the Risk and share all the details with Chief Risk Officer of the Company.

vi. Chief Risk Officer:

CRO will oversee the establishment of RM system across the organization. CRO will periodically inform the Audit Committee and Board of Directors about its implementation and coverage. CRO shall take necessary action for implementing suggestions/directions given by the Board on the implementation of Risk Management.

4.3 STEPS IN RISK MANAGEMENT

i. Risk Identification
ii. Risk Assessment
iii. Risk Analysis
iv. Risk Treatment - Mitigation
v. Risk - Control and Monitoring
vi. Risk Strategy

i. RISK IDENTIFICATION

This involves continuous identification of events that may have negative impact on the Company's performance. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

The Company has identified few risks associated with the business and operations of the Company as below:

a. **Operational risk** –Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

b. **Financial risk** – The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.

c. **Sectoral risk -** The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

d. **Other Examples of identified risks are as follows:**

- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Its products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
- Its risk management methods and insurance policies not being effective or adequate
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

ii. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk events have been assessed for the purpose of analysing the criticality. The potential impact may include:

A. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.

- External risks factors:
    - ➢ Economic Environment
    - ➢ Political Environment
    - ➢ Competition
    - ➢ Fluctuations in trading activities
    - ➢ Changes in interest rates
    - ➢ Changes in government policies
    - ➢ Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.

B. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

- Internal risks factors:
    - ➢ Project Execution
    - ➢ Contractual Compliance
    - ➢ Operational Efficiency
    - ➢ Hurdles in optimum use of resources
    - ➢ Quality Assurance
    - ➢ Environmental Management
    - ➢ Human Resource Management
    - ➢ Culture and values

iii. RISK ANALYSIS

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as "high" or "very high" criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

iv. RISK TREATMENT - MITIGATION

To ensure that the above risks are mitigated, Kamdhenu Limited will strive to:

1. Involve all functions in the overall risk identification and mitigation exercise;
2. Link the risk management process to the strategic planning and internal audit process;
3. The Risk Management Committee shall have access to all information necessary to fulfil its responsibilities. It has the 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;
4. The Risk Management Committee may in its judgment periodically commission risk management analysis of the Company;
5. Adequate disclosures pertaining to the risks (including commodity risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

v. CONTROL AND MONITORING MECHANISM

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

vi. RISK STRATEGY

Kamdhenu Limited recognizes 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) Transferred 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 transferring.

5. BUSINESS CONTINUTY PLAN

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

Company shall have well documented Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Risk Management Committee.

6. APPOINTMENT OF CHIEF RISK OFFICER

The Board of Directors of the Company in their meeting held on 10th November, 2021 has appointed Mr. Harish Kumar Agarwal, Chief Financial Officer and Head-Legal, as Chief Risk Officer of the Company as recommended by the Risk Management Committee in its meeting held on 10th November, 2021. Details of Chief Risk Officer of the Company:

- Mr. Harish Kumar Agarwal
  Chief Financial Officer, Head Legal and Chief Risk Officer
  2nd Floor, Tower-A, Building No. 9,
  DLF Cyber City, Phase-III, Gurugram - 122 002.

7. RISK REPORTING

The Board of Directors of the Company shall review and evaluate the risk management system of the Company, as and when required, so that the management controls the risks through properly defined network.

Head of Departments or such other authorized persons by Board shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board / Audit/ Risk Management Committee, as the case may be.

Every Head of Departments or such other authorized persons by Board shall also give details regarding any apparent risk and prospective opportunities relating to their departments on periodic basis to the Board.

While the Company will be monitoring, evaluating and responding to risks. Only significant risks (or those that could become significant) need to be reported to the Risk Management Committee, Audit Committee and Board.

Significant risks include those risks that have a high likelihood or significant impact i.e. having risk exposure or where there is limited ability for mitigation by the Company. These risks are identified and assessed based on the Company's expertise, judgement and knowledge

8. DISCLOSURES

Board's responsibility statement

Board of Directors 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 in its Board Report.

The Board of Directors of the Company and the Audit and Risk Management Committee shall periodically review and evaluate the risk management system of the Company, so that the Management controls the risks through risk management framework.

9. AMENDMENTS

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

10. EFFECTIVE DATE

This policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on 21st June, 2021 and amended on 10th November, 2021. The amended policy shall be effective from 10th November, 2021.

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