

## **RISK MANAGEMENT POLICY**

### **1. PREFACE**

This policy may be called the “Bhavya Cements Private Limited Risk Management Policy” and shall have effect from November 09, 2021

### **2. BACKGROUND**

Bhavya Cements Private Limited (the Company) is engaged in the manufacture and sale of cement and/or clinker. The business activities of the Company carry various internal and external risks.

Risks are events, situations or circumstances which may lead to adverse consequences on the Company’s business. Effective risk management process is a key to sustained operations thereby protecting shareholder value, improving governance process, achieving strategic objectives and being well prepared for adverse situations or unforeseen circumstances, if they occur in the lifecycle of the business activities.

### **3. SCOPE**

This policy establishes the outlook of Bhavya Cements Private Limited (“theCompany”), towards,

- Identification of Risks
- Analyzing the Risk
- Prioritization of Risks
- Developing Risk Mitigation Plans

This policy is applicable to all the functions and departments of the Company.

### **4. OBJECTIVE**

The objective of this policy is to manage the risks involved in all activities of theCompany to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses.

### **5. REGULATORY:**

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.

Schedule IV [Section 149(8)] to the Companies Act, 2013 also casts obligation on Independent Directors to 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 and also to satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

**6. DEFINITIONS**

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013).

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013.

"Policy" means Risk Management Policy.

**7. APPROACH TO RISK MANAGEMENT**

The following methodology will be adopted to identify and mitigate risks to which they are subjected,

- Risk identification and Evaluation
- Risk Estimation
- Risk Treatment

- **Risk identification and Evaluation**

The Board has to 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.

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Managing Director (MD) along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Managing Director .

Identification of 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, Hazard
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	Identification of Function Responsible to develop Strategy and Policy

**Risk Estimation:**

Risk Estimate can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

**Risk Treatment**

A clear understanding of a complete treatment strategy is important to ensure that critical dependencies and linkages are not compromised and to ensure the use of resources and budgets is efficient. For this reason development of an overall treatment strategy should be a top-down process, driven jointly by the need to achieve objectives and satisfy organizational and budgetary constraints while controlling uncertainty to the extent that this is desirable.

**Reporting:**

A risk agenda is to be developed by the functional heads on a yearly basis. The reporting shall be done in the following manner,





## **BOARD OF DIRECTORS**

- 8. ROLES OF THE FUNCTIONAL HEADS- All functional heads are individually responsible for identifying all potential risks and creating their own risk agenda.**

**ROLE OF THE MANAGING DIRECTOR-** Managing Director required to access, analyze and quantify considering the views and recommendations given by the functional heads and then report the same to the Audit Committee.

- 9. ROLE OF AUDIT COMMITTEE**

- (a) Review of the strategy for implementing risk management policy
- (b) To examine the organization structure relating to Risk management
- (c) Evaluate the efficacy of Risk Management Systems – Recording and Reporting
- (d) To define internal control measures to facilitate a smooth functioning of the risk management systems
- (e) Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

- 10. REVIEW**

This policy shall evolve by review by the Audit 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.

This policy has been recommended to the Board and approved by the Board.