RISK MANAGEMENT POLICY
BHAGERIA INDUSTRIES LIMITED

Contents:-

INTRODUCTION:-

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. The effect this uncertainty has on an organization's objectives is “RISK”. In recent times all sectors of the economy have shifted focus towards the management of risk as the key to making organizations successful in delivering their objectives while protecting the interests of their stakeholders. Risk may be defined as events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization’s business objectives. The exposure to the consequences of uncertainty constitutes a risk.

Organizations that are most effective and efficient in managing risks to both existing assets and to future growth will, in the long run, outperform those that are less so. Simply put, companies make money by taking intelligent risks and lose money by failing to manage risk intelligently.

Risk management is a holistic, integrated, structured and disciplined approach to managing risks with the objective of maximizing shareholder’s value. It aligns strategy, processes, people & culture, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value.

With the vision to integrate risk management with the overall strategic and operational practices, an Risk Management Framework has been established by Bhageria Industries Limited, as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

DEFINITION:-

“Risk” Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization’s business objectives. The exposure to the consequences of uncertainty constitutes a risk.

“Risk Management” Risk management Process 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 events or to maximize the realization of opportunities.

“Trigger Events” Events or conditions that could lead to the risk.

“Impact” The degree of consequences to the organization should the event occur.

“Likelihood” The likelihood of the event occurring expressed as an indicative annual frequency.

“Consequence” Potential resulting events that could be affected by the key group risk.

“Risk Source” Element which alone or in combination has the intrinsic potential to give rise to risk.

“Risk Rating” The relative rating determined from the risk score derived from qualitative analysis of impact and likelihood. Categorized as Very High, High, Medium or Low.

“Risk Management Committee (RMC)” Risk Management Committee is Board nominated committee pursuant to Regulation 21 of the SEBI (LODR) Regulation, 2015.

"**Policy**" means Risk Management Policy of the Company.

1. OBJECTIVE AND SCOPE, LEGAL FRAMEWORK:-

The objective of Risk Management at Bhageria Industries Limited 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.

1.1. Objectives & Scope of this Policy 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 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.

1.2. Legal Framework:

The SEBI has amended Regulation 21 of The SEBI (LODR) Regulations, 2015 vide its notification dated May 5, 2021 and has made it mandatory for the top 1000 listed entities, based on market capitalization, as on March 31 of every financial year has to constituted Risk Management Committee.

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

In accordance with Companies Act, 2013 & SEBI (LODR) Regulations 2015

- Provisions of the Section 134(3):

  There shall be attached to 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.

- Provisions of the Section 177(4) Terms of reference to Audit Committee shall include: -

  - Evaluation of Internal Financial Controls and Risk Management Systems.

- Schedule IV – Code of Independent Directors: Role and Functions: -

  - 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;

  - satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

- Regulation 4(2)(ii) Key Functions of the Board

  The Board should fulfill certain key functions, including:

  - 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.

  - 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 and relevant standards.

  - The company shall constitute a Risk Management Committee & Approve, Review the Risk Management Policy.

- Regulation 17 - Board of Directors

  - The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

  - The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

- Regulation 18 - Role of Audit Committee (Part C of Schedule II)

  The role of the Audit Committee shall include the following:

  - Evaluation of internal financial controls and risk management systems;

- Regulation 21 - Role of Risk Management Committees (Part D of Schedule II)

  The role of the Audit Committee shall include the following:

  - To formulate a 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.

  - To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.

- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.

- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

- The committee to meet at least twice in a year in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

1.3. Risk Management Committee:

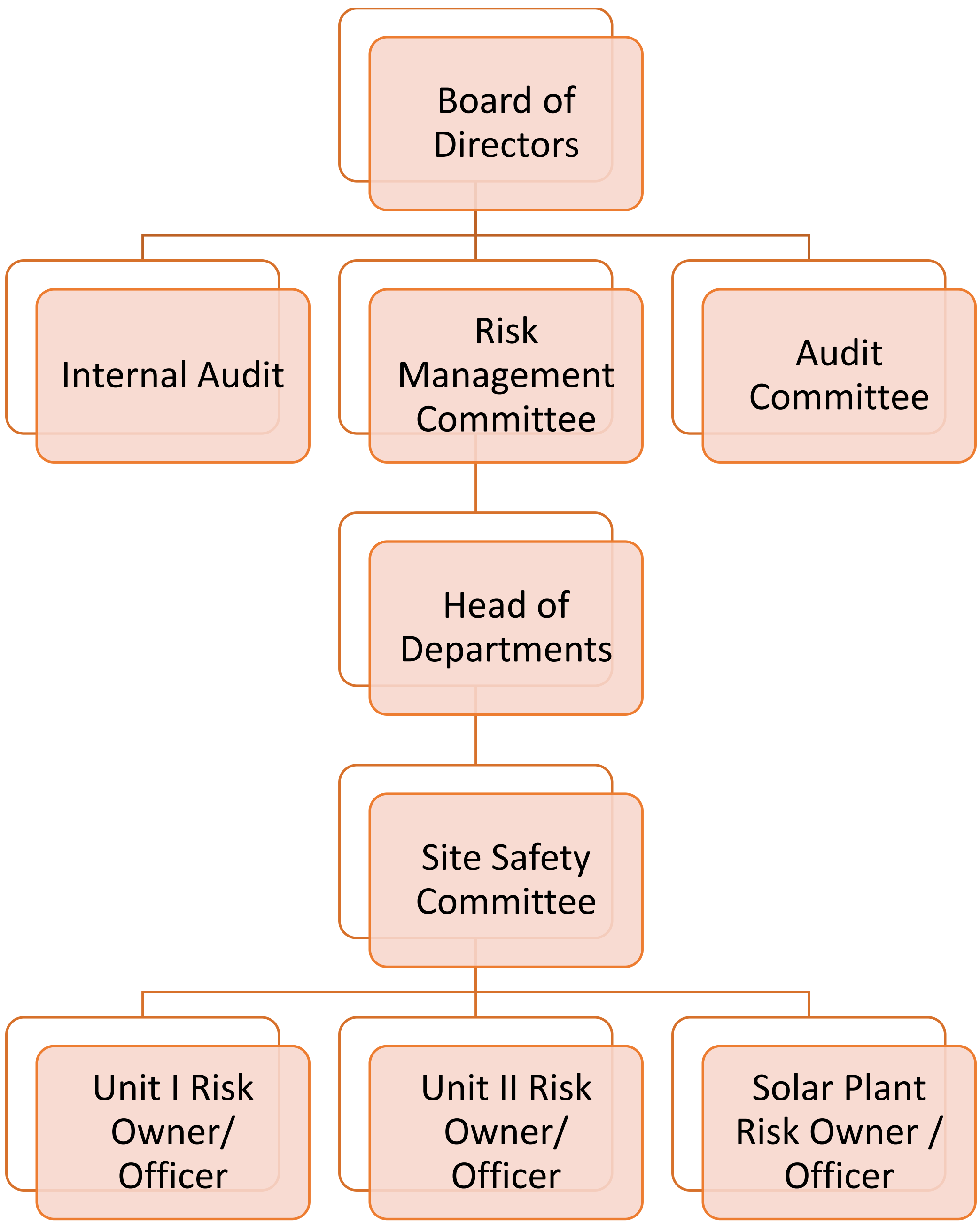
The Risk Management Committee consist of minimum 3 Members with majority of them being members of the Board of Directors including 1 Independent Director and the members of the Committee shall elect one of them as the Chairman of the Committee.

1.4. Applicability:

The policy is devised in the context of the present business profile, future growth objectives and new business endeavors/ services that may be necessary to achieve the goals & the emerging global standards & best practices amongst the comparable organizations.

2. RISK MANAGEMENT STRUCTURE:-

For successful implementation of risk management framework, it is essential to nominate senior management individuals to lead the risk management teams. Senior management involvement will ensure active review and monitoring of risks on a constructive 'no-blame' basis.



Unit I: - Tarapur Plant
Unit II: - Vapi Plant

3. RISK MANAGEMENT FRAMEWORK:-

3.1. Introduction of Risk Management:

Generally every staff member of the Organization 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.

The risks are broadly categorized into:

- Strategic Risk
- Operational Risk
- Compliance Risks
- Financial & Reporting Risk
- Hazard Risk
- Political

3.2. Steps in Risk Management:

3.2.1. Risk Identification:

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. 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.

3.2.2. Risk Assessment:

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

- Financial loss;
- Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
- Loss of talent;
- Health, Safety and Environment related incidences;
- Business Interruptions / Closure;
- Loss of values, ethics and reputation.

The likelihood of occurrence of risk is rated based on number of past incidences in the industry, previous year audit observations, future trends or research available.

Risk may be evaluated based on whether they are internal and external, controllable and non-controllable, inherent and residual.

3.2.3. Risk Analysis:

Risk Analysis is to be conducted using a risk matrix for likelihood and Impact, 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.

The Risk Reporting Matrix below is typically used to determine the level of risks identified. A risk reporting matrix is matched with specific likelihood ratings and Impact ratings to a risk grade of low (green), medium (yellow), high (amber) or very high (red).

Consequences		Likelihood				
		1	2	3	4	5
		Remote	Unlikely	Possible	Likely	Almost certain
Very High	5					
High	4					
Medium	3					
Low	2					
Insignificant	1					

Risk Score = Business Impact x Likelihood	
More than 15	Very High
9 to 15	High
4 to 8	Medium
3 or less	Low

3.2.4. Risk Treatment – Mitigation:

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

Training and Awareness:

The Board of Directors aims to ensure that:

- Emphasis is given on training on risk management to improve process controls.
- All staffs are aware of and understands the organization's approach to risk management.
- All staffs in the organization understand the basic concepts and benefits of risk management in their respective areas and applies the risk management principles in day to day operations.

3.2.5. 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 a foundation for the development of an effective Event Recording Register, containing both the definitions and the guidance necessary for the 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, such risk shall form part of consolidated Event Recording Register along with the business justification and their status shall be continuously monitored and periodically (Monthly / Quarterly / Annually etc.) presented to Risk Management Committee and Audit Committee.

There are various ways of monitoring Risks depending on their gravity and potential. Major ways are:

- **Treat:** In this case, organizations use appropriate controls to treat the risks for e.g. Credit risk monitoring, vendor localization, Minimization of inventory turnaround time.
- **Tolerate/Accept the Risk:** This strategy is adopted when impact of risk is minor. In this case risk is accepted as cost of mitigating the risk can be high. However, these risks are reviewed periodically to check their impact remains low else appropriate controls are used.
- **Transfer:** In this approach the associated risks are shared with the trading partners and vendors etc. e.g. Insurance
- **Terminate:** In this case the activity, technology or task which involves risks is not used/conducted to eliminate the associated risk.

The Board shall have the discretion to deal with certain risks in the manner it may deem fit. Mitigation of such risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members or any of its Committee.

4. RISK REPORTING:-

4.1. Identification of Risk:

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 Audit Committee and Board.

Significant risks include those risks that have a high likelihood or significant impact (i.e. having risk exposure 15 or more) 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.

Risks with high risk score or exposure rating will be identified and summarized in Consolidated Event Recording Register and will be placed before the Risk Management Committee.

4.2. Reporting of Adverse Risk:

After reviewing when a new or an emerging risk is identified the risk owners of the respective department will notify to their heads as per their hierarchy or Risk Management Committee.

5. APPROVAL AND AMENDMENT:-

Any or all provisions of this Policy would be subject to the revision/ amendment to the Listing Regulations or related circular, notification, guidance notes issued by SEBI or relevant authority, on the subject from time to time. However, it can be modified at any time by the Risk Management Committee with the approval of Audit Committee / Board as may be necessary.

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