



SIMRAN FARMS LIMITED

(Farmers' Friends Since 1989)

CIN: - L01222MP1984PLC002627

POLICY ON RISK MANAGEMENT

(*Under Amended Clause 49(VI) of the Listing Agreement Approved in the Meeting of Board of Directors held on 14th November, 2014)

SIMRAN FARMS LIMITED

POLICY ON RISK MANAGEMENT

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POLICY ON RISK MANAGEMENT

1. OBJECTIVE:

The objective of the Risk Management Policy of the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. This Risk Management Policy is being applied in order to ensure that effective management of risks is an integral part of every employee's job. These include:

1. Providing a framework that enables future activities to take place in a consistent and controlled manner.
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
3. Contributing towards more efficient use/ allocation of the resources within the organization.
4. Protecting and enhancing assets and company image.
5. Reducing volatility in various areas of the business.
6. Developing and supporting people and knowledge base of the organization.
7. Optimizing operational efficiency.

2. DEFINITIONS:

"Company" means **SIMRAN FARMS LIMITED**.

"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 the Committee of the Board of Directors of the Company constituted under the provision of the Companies Act, 2013 and the Listing Agreement. .

"Risk" is an event or cause leading to uncertainty in the outcome of the Company's operations.

"Policy" means Risk Management Policy.

3. LEGAL FRAMEWORK:

In accordance with Section 134(3), the Board of Directors shall include a statement in the Board's Report 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, Clause 49 of the Listing Agreement entered into between listed companies and the Stock Exchanges has been recently amended which, inter alia, provides for a mandatory requirement for all listed companies to establish a "Risk Management Policy" to institute appropriate systems of control including systems for risk management.

4. BACKGROUND AND IMPLEMENTATION

The Company is prone to inherent business risks. This document is intended to formalize a Risk Management Policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

This policy is in compliance with the amended Clause 49 of the Listing Agreement (w.e.f 1st October 2014) which requires the Company to lay down procedure for risk assessment and procedure for risk minimization.

5. RISK MANAGEMENT FRAMEWORK:

Before proceeding to the policy, attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

1. The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.
2. The Audit Committee's role is to evaluate the risk management systems.

This policy shall complement the other policies of Simran Farms Limited in place e.g. Policy on materiality of Related Party Transactions and dealing with Related Party Transactions, to ensure that the risk, if any, arising out of Related Party Transactions are effectively mitigated.

6. BROAD PRINCIPLES:

The Board is required to review the business plan at regular intervals and 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 including environmental, business, operational, financial and others. Communication of Risk Management Strategy to various levels of the management for effective implementation is essential.

7. IDENTIFICATION AND RISK ANALYSIS:

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 Chairman and Managing Director of the Company along with their considered views and recommendations for risk mitigation.

8. THE FOLLOWING STEPS TO BE TAKEN:

❖ RISK IDENTIFICATION:

To identify organization's exposure to uncertainty, risks may be classified in the following:

1. Strategic
2. Operational
3. Financial
4. Hazard

5. Reputational
6. Regulatory

❖ **RISK DESCRIPTION:**

To display the identified risks in a structured format

❖ **RISK EVALUATION:**

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

❖ **RISK ESTIMATION:**

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

❖ **REPORTING**

1. Internal Reporting

- a) Board of Directors
- b) Vertical Heads
- c) Individuals

2. External Reporting

To communicate to the stakeholders on regular basis as part of Corporate Governance

9. BOARD APPROVAL:

The Action Plan and guidelines shall be approved by the Board before communication to the respective personnel for implementation.

The Board shall approve the risk management (including risk treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

10. RISK TREATMENT:

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to avoid or minimize the risk of the organization. Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for the following purpose:

- a) Effective and efficient operations
- b) Effective Internal Controls
- c) Compliance with laws & regulations

Risk treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

11. ROLE OF BOARD OF DIRECTORS:

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- The Board shall define the roles and responsibilities of the person authorised for the purpose of risk management.
- The Board shall monitor and review the risk management plan as and when it may deem fit.
- Ensure that the appropriate systems for risk management are in place.
- The Board shall brought out the independent judgment on issues of risk management and satisfy itself that the system of Risk Management are robust and defensible.
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

12. ROLE OF THE HEADS OF THE DEPARTMENTS:

Heads of Departments shall be responsible for implementation of the risk Management system as may be applicable to their respective areas of Functioning and report to the Managing Director of the Company.

13. APPLICABILITY:

This Policy applies to all areas of the Company's operations.

14. RESPONSIBILITY TO STAKEHOLDERS:

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's risk profile.

15. CONTINUOUS IMPROVEMENT:

The Company's risk management system is always evolving. It is an ongoing Process and it is recognized that the level and extent of the risk management System will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the Documentation that supports it will be regularly reviewed and updated in order to keep it close to the Company circumstances.

16. 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 which results in identifying, assessing and monitoring risk associated with Organization'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.

17. AMENDMENTS

The Board may subject to the applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy. However, no such amendment or modification shall be inconsistent with the applicable provisions of any law for the time being in force.

18. REVIEW:

This policy shall evolve by review by the Board from time to time as may be necessary. This Policy will be communicated to all vertical/functional heads and other concerned person of the Company.

//THE END//