



GANESHA ECOSPHERE LIMITED

DRAFT RISK MANAGEMENT POLICY

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PREAMBLE

Risk is defined as an expression of the uncertainty about events that can have significant impact on Company's ability to achieve its objectives. Risk is a part and parcel of every business enterprise. No business can continue to sustain for a long period without facing risk. Thus it is very essential for the management to foresee the areas involving risks associated with its business and undertake prudent measures to minimize its impacts. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

LEGAL BACKGROUND

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 applicable provisions of Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires the Company to lay down procedure for risk assessment and minimization.

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 business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

1. 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.
2. To establish a framework for the company's risk management process and to ensure its implementation.
3. To enable compliance with applicable regulations, wherever applicable, through the adoption of best practices in managing & disclosing risks.
4. To foster business growth while ensuring financial stability and risk resilience.

APPLICATION

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

RISK MANAGEMENT FRAMEWORK:

At Ganesha Ecosphere, risk management is a continuous process and embedded in the operating framework of the Company. It is an organized methodology for continuously identifying, assessing, evaluating risks and taking proactive measures to minimize or eradicate potential losses arising due to an exposure to particular risks.

STEPS IN RISK MANAGEMENT:

The steps that are involved in risk management are as follows:

1. Risk Identification & Assessment
2. Risk Analysis
3. Risk Treatment - Mitigation
4. Risk - Control and Monitoring
5. Risk- Reporting

1. RISK IDENTIFICATION & ASSESSMENT

Risk identification & assessment is a process of identification, analysis and prioritization of risks. An effective risk assessment requires a continuous process for identifying and measuring risks. These elements need to be applied consistently across all key businesses, units and functions within the organization to understand the nature of the prioritized risks and its impact on business objectives, strategies and performance. Risks are rated on the basis of probability and impact on EBITDA/ cash flows, wherever quantifiable.

The Company's activities give rise to a broad range of risks which are as follows:

External Risks: are risks beyond the control of the Company. These are risks faced due to external conditions in which the business operates (e.g. Natural disasters, Terrorism etc.)

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

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.

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.

Compliance Risks: Risk of loss resulting from legal and regulatory factors such as Legal Risks & Health, Safety and Environmental Risks.

IT-related Risks: these risks comprise of technological risk such as hardware and software failure, human error, spam, viruses and malicious attacks and other cyber security risks such as ransomware, phishing, data leakage, hacking, insider threats.

Sustainability Risks: Any environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the Company.

Regulatory/ Compliance Risks: are associated with non-conformance or inability to comply with the applicable rules and regulations.

2. 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.

3. RISK MITIGATION:

Risk mitigation involves selecting one or more options for responding to the risks and implementing those options. It includes

- ✓ Selecting risk mitigation strategy (Avoid/ Reduce/Share/ Accept)
- ✓ Measuring the effectiveness of mitigation plan developed.
- ✓ Setting up of Internal control systems / processes to ensure adequate controls of identified risks
- ✓ Ensuring Business Continuity plan is in place and is implemented effectively.

BUSINESS CONTINUITY 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.

4. 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 identified risks 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 the Risk Management & Strategic Planning Committee (“hereinafter referred as Risk Management Committee”) and the Audit Committee.

5. REPORTING:

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

ROLE OF THE HEAD OF DEPARTMENTS:

Head of Departments shall ensure implementation of the risk management system applicable to their respective areas of functioning and shall be responsible for identification of material risks concerning their department and report these risks to the Risk Management Committee.

ROLE OF THE RISK MANAGEMENT COMMITTEE:

1. To formulate a detailed risk management policy;
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities;
6. To assist the Board in fulfilling its oversight responsibilities relating to the medium and long-term strategic direction and development.
7. To assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational, and external environment risks;
8. To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;
9. To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any);
10. To carry out any other function as mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.

ROLE OF THE AUDIT COMMITTEE:

The Audit Committee shall periodically monitor, review and evaluate the internal financial controls operating in the Company and the risk management systems.

ROLE OF THE BOARD:

The Board shall be responsible for overall governance of risk management system and will undertake the following actions to ensure risk is managed appropriately:

- The Board shall ensure that the appropriate systems for risk management are in place;
- The Board shall ensure that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- The Board shall ensure that the risk management is integrated into board reporting and annual reporting mechanisms;
- The Board may constitute a sub-committee and delegate monitoring and reviewing of the risk management plan and such other functions to the committee, as it may deem fit.

DISCLOSURES

In compliance of Section 134 of the Companies Act, 2013, the Board of Directors shall include in its report 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.

REVIEW

The policy shall be reviewed by the Risk Management Committee as and when deemed necessary to fulfill the requirements of legislation as well as the needs of organization.

The policy shall be modified by the Board of Directors on the recommendation of Risk Management Committee.

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