

## **RISK MANAGEMENT POLICY – GOBIND SUGAR MILLS LIMITED**

### **RISK MANAGEMENT FRAMEWORK**

The Company has adopted a system based approach for risk management, with the clear objectives of identification, evaluation, monitoring and minimisation of the identified risks.

The Company has established the Risk Management Committee comprising of **Managing Director, Unit Head, CFO and Company Secretary** for assessment and evaluation of the risks associated with the business through its risk document. The management periodically reviews the risk management framework to identify the major business risks as applicable to the Company and works out their mitigation strategy.

The major risks faced by sugar business are the availability of cane, regulatory risks, price of sugar and that of sugar cane. Availability of sugar cane is ensured by fostering good relationship with the cane growers. This is done by undertaking various measures in supporting them in cultivating cane besides making payment for their supplies in time.

#### **Risk Management Objectives and underlying principles:**

Every entity exists to create value for its organization in terms of profits, assets or otherwise and such value is eroded by management decisions either strategic or operational. It helps the management to deal effectively and efficiently with the projected future events and enables the management to respond in a manner that reduces the likelihood of downside outcomes and increases the upside.

#### **The Objectives of the Company can be classified into Strategic:**

##### **Organizational Growth**

- Comprehensive range of products
- Sustenance and Growth of Strong relationships with dealers/customers
- Expanding our presence in existing markets and penetrating new geographic markets
- Continuing to enhance our industry expertise
- Enhance our capabilities through technology alliances and acquisitions

##### **Operations:**

- Consistent Revenue growth

- Consistent profitability
- High quality production
- Further develop Culture of Innovation
- Attract and retain quality technical associates and augmenting their training.

**Reporting:**

- Maintain high standards of Corporate Governance and public disclosure.

**Compliance:**

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/standards

**GSML RISK MANAGEMENT POLICY AND PROCESS:**

**GSML RISK POLICY:** Outlines systematic process of understanding, measuring, controlling and communicating a project organization's risk exposures to achieve its objectives

**ENTERPRISE RISK MANAGEMENT:** Enterprise Risk Management (ERM) is the systematic process of understanding, measuring, controlling and communicating an organization's risk exposures to achieve its objectives.

**RISK MANAGEMENT ASSESSES RISK AS:** Inherent and Risk on residual basis

- Controllable / Non Controllable
- Internal factors / External factors
- Enterprise-level and Business unit processes
- Likelihood/Probability and Impact / consequences

**Risk Identification and Categorization:** Identification of Risks and categorize into Strategic, Operations, Financial and Compliance Domains, further Identification of Risk Owners persons closest to the risk:

**Analysis and Quantification of Risks** faced and appetite / capacity to absorb the same Risk Mitigation / Transfer Planning and Maintenance of Risk Register. All high value risks reported to the Board

**Risk Mitigation / Transfer Planning and Maintenance of Risk Register:** All high value risks reported to the Board, reported to management

**Risk Monitoring and continuous review:** regular monitoring by MIS

**Risk Assessment:** Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed.

Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

Assesses risks from these perspectives:

- Likelihood/Probability
- Impact
- Assesses risk on both an inherent and a residual basis.

**Types of Risks:** Internal or Controllable risks

- Sourcing/ Supply of Sugarcane, quality of sugarcane
- Fund Management/ Lenders Tie Up
- CSR/R&R
- IFRS Implementation / CERC Tariff
- Environment Risk/ Ash Disposal
- People Management
- Project cost
- Accidents/ Safety Risk

**External/Third Party or non controllable risks**

- Contractor's Financial position
- Act of God
- Government Policies/Regulations
- Contractor's Performance/ Deliverables
- Security Risk

## RISK MONITORING AND MITIGATION PLANNING

For each and every identified risk, plans were devised to mitigate the consequences of the same:

- Identify Causes and Consequences.
- Rate gross risk in term of possibility and impact (without controls or controls totally ineffective)
- Identify Primary Controls (preventive) and Secondary Controls
- Rate control effectiveness (to reduce possibility and impact).
- Risk software calculate: Net Risk Rating = Gross Risk – Control Effectiveness.
- Set Risk Targets
- Identify management actions to mitigate the risks

<b>RISK LEVEL</b>		
<b>High</b>	Act immediately to mitigate the risk. If these controls are not immediately accessible, set a timeframe for their implementation	An achievable timeframe to be established ensure controls are implemented.
		Risk (and not cost) must be the primary consideration in determining the timeframe.
<b>Medium</b>	Take reasonable steps to mitigate the risk. Until elimination, substitution or engineering controls, institute administrative/personal controls.	Interim measures until permanent solutions can be implemented: <ul style="list-style-type: none"> <li>• Develop administrative controls to limit the use or access.</li> </ul>
<b>Low</b>	Take reasonable steps to mitigate and monitor the risk. Institute permanent controls in the long term	<ul style="list-style-type: none"> <li>• Provide supervision and specific training related to the issue of concern.</li> </ul>

**OVERVIEW OF RISK MANAGEMENT PROCESS**

