Gobind Sugar Mills Limited
("Company")

Risk Management Policy

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A. Purpose

Risk Management is achieved by implementing a suitable set of controls in both policy and practice. These controls may include policies, standards, guidelines, procedures, technologies and/or processes to define and explain instructions to users or other affected parties. This Risk Management Policy sets forth the guidance for the Company to maintain and ensure ongoing compliance with corporate risk management practices and risk tolerance levels as established by the management.

B. Scope/Applicability

This policy applies to all the employees and associates of the Company. This includes all users, information systems and paper files at the Company and approved third-party facilities.

C. Policy Statement

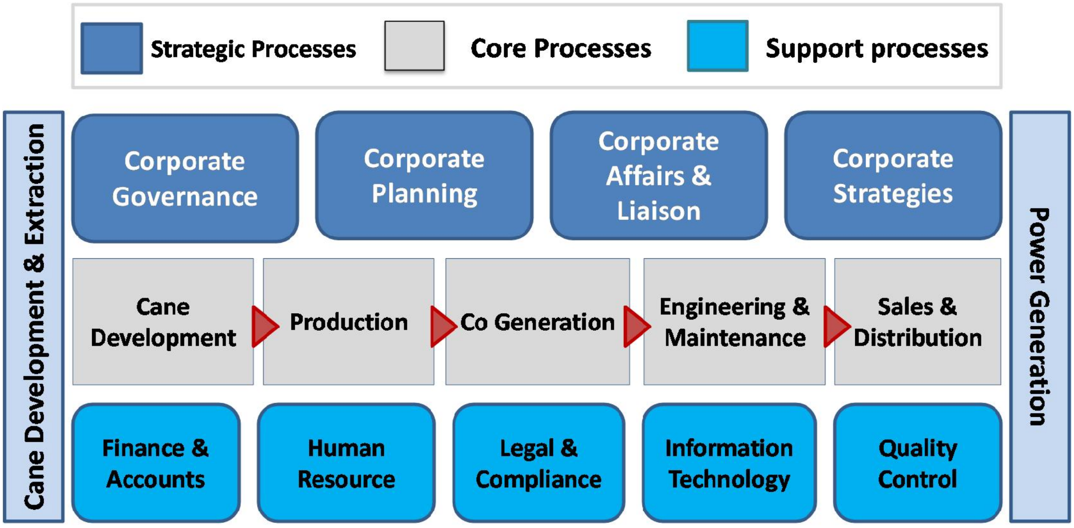
Risk assessment is the process of identifying risks, assessing and understanding those risks, and prioritizing risks. A formal risk assessment will be performed each year to identify threats / risks to the Company; to determine the risk of these threats occurring; and to recommend appropriate safeguards and countermeasures to reduce both the likelihood of threat occurrence and the effects produced if the threats are realized.

Company's goals for risk management are that risks are identified; risks are documented, understood and managed within tolerances established by management. Risk-acceptance decisions should be consistent with strategic business objectives, and should be explicit and communicated such that the expected return compensates for the risk involved.

In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated, concerned risk owner may ask for a "Management Risk Acceptance Memorandum". Such a memorandum will document the requestor's business justification, for the increased risk and exposure it presents to the Company.

D. Coverage

Coverage of Risk Assessment shall include the following:



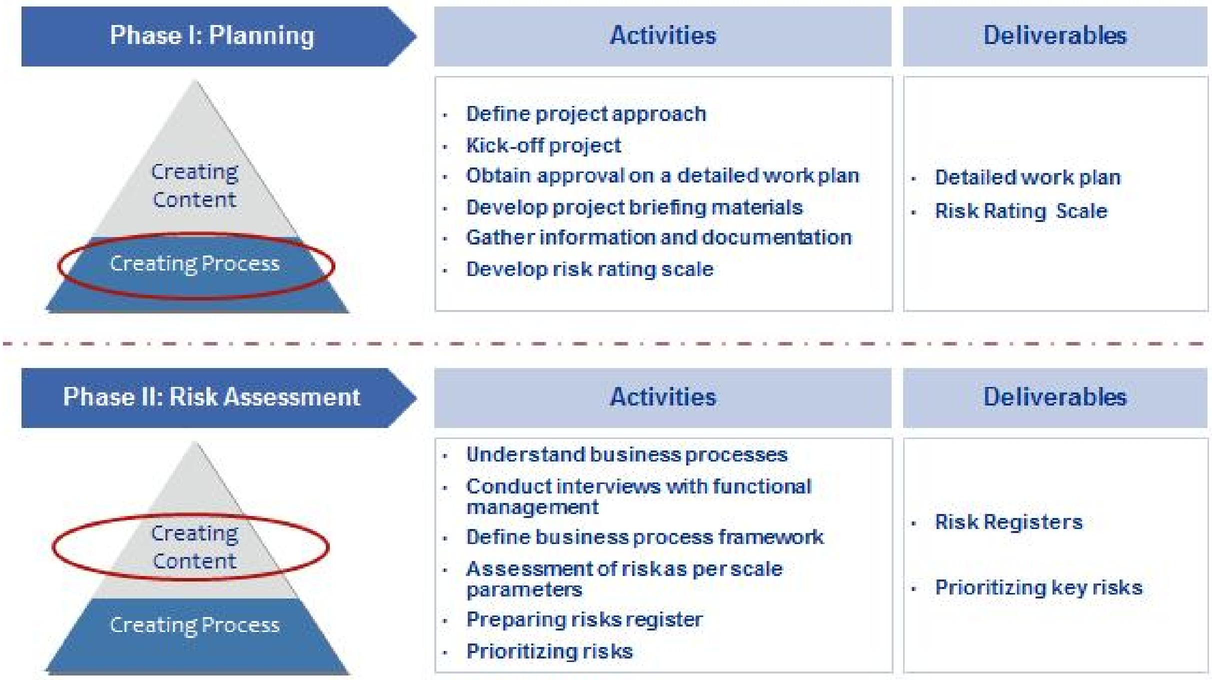
E. Risk Management Process

Approach for Risk Assessment involves the following steps:

a. Define Risk measurement scale for the Company.
b. Identification and assessment of operational risks with the individual Operating Managers and Functional Heads.
c. Risk measurement as per measurement scale discussed and approved by senior management. The rating scale comprising financial, operational and regulatory criteria was used to identify –
   i. Risks which are key at Inherent level and Residual level,
   ii. Risks which are key at Inherent level and non-key at Residual level.
d. Risk prioritization: Prioritized risks to be reviewed by the Risk Management Committee and Audit Committee of the Board. Risk mitigation strategies to be documented and monitored periodically by management.
e. Risk monitoring: Management process established for bi-annual evaluation of key risks in light of internal and external business changes. In order to facilitate this, management needs to –
   i. Establish key risk indicators and metrics for key and non key risks in order to ensure risk levels are within established thresholds
      - Identify critical data points and data sources,
      - Collate data over specific period of time, and
      - Analyse data to develop thresholds.
   ii. Assess the adequacy and operating effectiveness of mitigating controls.

iii. Review of updates to risk register by respective functions as a result of bi-annual in-house review to identify and evaluate new risks, if any.

f. The outcome of these risk reviews to be periodically reviewed by Risk Management Committee and reported to the Audit Committee.



Detailed process for Risk Assessment is as under:

a) Establish the Context

The key step here is to chart out objectives of risk management process. It involves understanding the nature of risk and its associated factors (external/ internal)

External risks involve risks which are beyond the control of the organization. An indicative list is as follows:

- Contractor's Financial position and performance / deliverables
- Slowdown in economic growth of the Country
- Threat to business continuity in the eventuality of disasters like riots, war with enemies, uncertainties of nature like floods, earthquakes, drought etc
- Unfavourable changes in government policies / regulations or lack of political support
- Availability of Raw material
- Security risk

Internal risks involve inability to perform despite favorable conditions prevailing in the market. An indicative list is as follows:

- Sourcing / supply of sugarcane, quality of sugarcane
- Fund Management / Lenders Tie Up
- Environmental risk / Ash Disposal
- People Management
- Project Cost
- Accidents / Safety Risks
- Key Man risk, i.e. sudden/ unplanned/ long / permanent absence of the key managerial personnel
- Noncompliance / violation of various laws applicable to the Company
- Use of obsolete technology
- Inability to anticipate and meet customer requirements
- Other Financial risks

b) Risk Identification

Risk identification sets out to identify an organization's exposure to uncertainty. Risks are being identified keeping in mind the market in which the company operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of company's strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

The major risks faced by sugar business are the availability of cane, regulatory risks, prices 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 of their supplies in time.

The process owners of each business process identify the different type of risks that effects/ may affect their business process. The risks identified are categorized as:

- Environment Risk
- Business Interruption Risk
- Legal Non Compliance Risk
- Operational Risk
- Investment Risk
- Efficiency Risk
- Profit Risk
- Asset Health Risk

- Subsidy Risk

Similarly, the foreign currency loans / external commercial borrowings being availed by the Company to the tune of USD 16 Million from FMO and / or other loans which may be taken by the Company from foreign lenders expose the company to transform the underlying risk exposure or to hedge the risk pertaining to the loans/facilities obtained from various banks or Exports or Imports carried out/to be carried out or any other forex exposures in connection with the business of the Company.

It is therefore important that the Company in order to protect INR value of the committed receipts and payments in foreign currencies while minimizing the cost of such protection undertake hedging / derivative in a planned manner to manage and mitigate its Currency and Interest Rate which the Company would operate to effectively manage and hedge all identified risks.

The Foreign Exchange Risk Management function would be carried out by Finance & Accounts Department which may also interact with Banks and other institutions and evaluate new products and based on the analysis put up, will enter into the strategy/ new product. Apart from hedging the currency risk generated by the underlying commercial transactions, the Department may also cover anticipated exposures using forward contracts/ derivatives or diversify into third currency subject to the same being in conformity with the RBI Guidelines. The extent of the anticipated exposures to be covered will be discussed and deliberated internally and it will be ensured that all transactions/ operations are as per the Rules and Regulations prevailing in India and that no breach of law has taken place in respect of any transaction. Exceptions if any would need to be reported to the Board.

c) Risk Analysis

The risks that are being identified are displayed in a structured format in the Risk Registers. The Risk Registers facilitate the description and assessment of risks. The maintenance of Risk Registers is the responsibility of Risk Management Committee. The same are updated/ reviewed basis the inputs received from the divisional heads.

Organization has drafted the Risk Framework and Risk Registers. Each risk identified is further classified as Key Risk or Non Key Risk based on the ratings as per the risk measurement scale. Risks will be on annual basis and in case any new risk is identified in the interim due to any factor, the same will be informed to the Audit Committee in its next meeting.

All the risks are reviewed by the members of Risk Management Committee and ratings are decided based on the consensus of the members. In case of any conflict, final rating is decided by the majority votes.

d) Risk Evaluation

When the risk analysis process has been completed, it is necessary to compare the estimated risks against risk criteria which the organization has established. The risk criteria may include associated costs and benefits, legal requirements, socio-economic and environmental factors, concerns of stakeholders, etc. Risk evaluation is used to make decisions about the significance of risks to the organization.

A concerned person has been assigned against each risk, who will be responsible for monitoring and mitigating it. Way forward are the control measures which management would be taking to mitigate the risks.

e) Risk Treatment

Risk treatment is a process of selecting and implementing measures to modify the risk. Risk treatment may include any of the below mentioned measures:

i. **Accept**: The committee members may decide to the go forward with the existing risk as it is. No mitigation plan may be drafted against such risk as either these risks are governed by the external factors which are not directly under organization's control or the cost of implementing the mitigation plan is higher then the implication of the risk.

ii. **Transfer**: The risk may be transferred to a third party, wherever needed by taking the insurance cover.

iii. **Reduce**: The members may agree to draft a mitigation plan against each risk so as to reduce the impact of the same on the organization.

f) Risk Reporting and Communication

- The concerned officer organizes the workshop consisting of all Divisional Heads and Department Heads for analyzing the risk registers and concludes on the risk ratings.
- On the basis of the inputs received in workshop, the key risks are discussed in Risk Management Committee.
- Subsequent to the discussion in Risk Management Committee, the key risks are presented in the Audit Committee and Board (if needed).

Glossary

a. **Risk:** Risk is the chance of something happening that will have an impact on achievement of the company's objectives. Risk is measured in terms of assessments of likelihood of an impact arising from an event.

b. **Risk Management:** Risk management is the culture, processes and structures which are directed towards realizing potential opportunities whilst managing adverse effects.
c. **Risk Management Process:** Risk management process is the systematic application of risk management policies, procedures and practices.
d. **Inherent Risk:** Risks before mitigation strategies and controls are put in place.
e. **Residual Risk:** Risk that remains after mitigation strategies and controls are put in place.
f. **Key Risk:** Key risks are the risks which are significant for the company w.r.t operations/ efficiency/ profits/ legal compliances and remains key risks at inherent and residual level.
g. **Non Key Risk:** Non-Key risks are those which are key risks at inherent level but non key at residual level.
h. **Risk Management Committee:** Company has framed a Risk Management Committee comprising of Managing Director, Unit Head and CFO for assessment and evaluation of the risks associated with the business. CFO will act as the Secretary to the Committee. The Committee may invite Divisional Heads as Invitees to the Committee.

Document Change History and Revision Control

The history of modifications and changes to this document are reflected in this section. All changes, updates, revisions, or comments should be documented and reflected in this section.

Version	Sections Revised	Description of Revisions	Date
1.0	All	Initial Document Creation	06.08.2014
2.0	All	Modified Risk Management Policy	03.02.2016
3.0	E	Undertaking Hedging / Derivative Transaction	12.02.2018