



## **LE MERITE EXPORTS LIMITED**

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# **RISK ASSESSMENT & MANAGEMENT POLICY**

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## ❖ SCOPE

This policy establishes the philosophy of **Le Merite Exports Limited** (“the Company”), towards risk identification, analysis & prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the company. This policy is applicable to all the functions and departments of the Company.

## ❖ OBJECTIVE

The objective of this policy is to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The key objectives of this policy are:

- Safeguard the company property, interests, and interest of all stakeholders.
- Lay down a framework for identification, measurement, evaluation, mitigation & reporting of various risks.
- Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
- Balance between the cost of managing risk and the anticipated benefits.
- To create awareness among the employees to assess risks on a continuous basis & develop risk mitigation plans in the interest of the Company.
- Provide a system for setting of priorities when there are competing demands on limited resources.

## ❖ DEFINITION

**“Board of Directors or Board”** means the Board of Directors of Le Merite Exports Limited, as constituted from time to time

**“Company”, “This Company”, The Company”** means Le Merite Exports Limited

**“Risk”** means Risk is often described by an event, a change in circumstances or a consequence 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. Thus, risk is the effect of uncertainty on objectives.

**“Risk Management”** means The coordinated activities to direct and control an organization with regard to risk. The systematic process of identifying, analyzing, and responding to anticipated future events that have the potential to impact objectives.

**“Risk Evaluation”** means the process of determining Risk Management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria, to generate a prioritized list of risk for further monitoring and management. Risk Assessment: Risk assessment is the combined process of Risk Analysis and Risk Evaluation.

“**Risk Register**” means a ‘Risk Register’ is a tool for recording risks encountered at various locations and levels in a standardized format of Risk Description. It becomes a major input in formulating subsequent Risk Strategy.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation

#### ❖ **RISK MANAGEMENT FRAMEWORK:**

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

- A. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- B. The Audit Committee of the Board of the Company shall review the processes for identification and assessment of the risks, reviewing the outcomes of risk management processes, and for advising the Company as necessary from time to time.
- C. Internal auditors will guide the Company to ensure that risk management processes are adequately followed by the Company.

#### ❖ **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 and whole-time directors of the Company along with their considered views and recommendations for risk mitigation. Analysis of all the risks thus identified shall be carried out by Managing Director of the Company through participation of the vertical/functional heads and a preliminary report shall be placed before the Audit Committee and the Board.

The following steps to be taken:

##### A **Risk identification:**

This would envisage identification of the potential list of events/ perils/ risks/ factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

- a. **Strategic Risk:** Competition, inadequate capacity, high dependence on a single customer/vendor.
- b. **Business Risk:** Project viability, process risk, technology obsolescence/ changes, development of alternative products.
- c. **Finance Risk:** Liquidity, credit, currency fluctuation.
- d. **Environment Risk:** Non-compliances to environmental regulations, risk of health to people at large.
- e. **Personnel Risk:** Health & safety, high attrition rate, incompetence.

- f. **Operational Risk:** Process bottlenecks, non-adherence to process parameters/ pre- defined rules.
- g. **Reputation Risk:** Brand impairment, product liabilities.
- h. **Regulatory Risk:** Non-compliance to statutes, change of regulations.
- i. **Technology Risk:** Innovation, obsolescence.
- j. **Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment.

The Committee should identify certain risks, which cannot be quantified in monetary terms and as such, not possible to rank them. In such cases, the consequences of the risk need to be evaluated

- i. Description: To display the identified risks in a structured format.
- ii. 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.
- iii. Risk Estimation: It can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.
- iv. Impact level on performance/profit – Both Threats and Opportunities

## ❖ REPORTING

### Internal Reporting

- a) Audit Committee
- b) Board of Directors
- c) Vertical Heads
- d) Individuals

### External Reporting

- a) To communicate to the stakeholders on regular basis as part of Corporate Governance.

## ❖ Development of Action plan

The Board has delegated power to Audit Committee and defined the Committee's role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review.

## ❖ Risk Register:

The Committee should ensure compilation of a Risk Register in the appropriate format.

## ❖ Treat Risks:

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 benefit the organization. Risk

treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

1. Effective and efficient operations
2. Effective Internal Controls
3. 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.

❖ **MONITOR AND REVIEW:**

The Audit Committee is responsible for overall monitoring of the risk management processes.

To support the Committee, every business function/department will depute a manager not below a Manager level as the 'Risk Champion' to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

❖ **REPORTING:**

Quarterly reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee and Board. The responsibility of compilation of report is entrusted with the Committee. The Risk Champions should submit quarterly report on the compliance of the risk assessment and management policy to the Committee.

❖ **TRAINING:**

The Committee should identify the need for imparting training to Risk Champions as well as other key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc.

❖ **RETENTION OF DOCUMENTS:**

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years.

❖ **IMPLEMENTATION REVIEW:**

To ensure adequate and complete implementation of this policy, internal audit reviews should be carried out at least annually.

❖ **POLICY REVIEW:**

The policy shall be reviewed annually for modification based on change in business environment and practices and shall communicate to all vertical/functional heads and other concerned persons of the Company.

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