

## **BLACK ROSE INDUSTRIES LIMITED**

### **RISK MANAGEMENT POLICY**

#### **BACKGROUND**

This document lays down the framework of Risk Management at Black Rose Industries Limited (hereinafter referred to as the '**Company**' or '**BRIL**') and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

#### **OBJECTIVE**

The objective of Risk Management at Black Rose Industries Limited is to create and protect shareholder value by minimising threats or losses, and identifying and maximising opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

#### **Strategic Objectives**

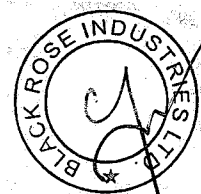
1. Providing a framework that enables future activities to take place in a consistent and controlled manner.
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/threats.
3. Contributing towards more 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. Optimising operational efficiency.

#### **REGULATORY**

Risk Management Policy is framed as per the provisions of the Companies Act, 2013 and the Listing Agreement with the Bombay Stock Exchange Limited, governed by the Securities and Exchange Board of India (SEBI)

#### **APPLICABILITY**

This Policy shall come into force with effect from 1<sup>st</sup> April, 2014.



## **BROAD PRINCIPLES**

The Board has 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 viz. Environmental, Business, Operational, Financial and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

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 Executive Director (ED) 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 ED through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Audit Committee.

The following steps to be taken:

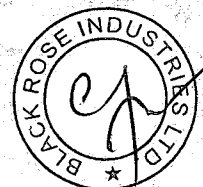
### **Risk identification:**

To identify organization's exposure to uncertainty. Risk may be classified in the following:

- a) Strategic
- b) Operational
- c) Financial
- d) Hazard

**Risk Description:** To display the identified risks in a structured format

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Hazard
Quantification of Risk	Significance and Probability
Risk Tolerance/Appetite	Loss Potential and Financial Impact of Risk
Risk Treatment and Control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring and Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function Responsible to develop Strategy and Policy



**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:**

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

**Reporting**

## 1. Internal Reporting

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

## 2. External Reporting

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

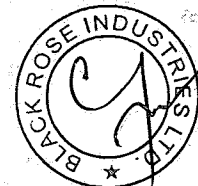
**Development of Action Plan**

The Board has constituted a Audit Committee consisting of three (3) Independent Directors, 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. The members of the Audit Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses of BRIL is engaged in or shall undertake.

Audit Committee shall critically examine the report of ED and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

**Guidelines to deal with the risks**

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with Strength, Weakness, Opportunities and Threats (SWOT) analysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.



## **Board Approval**

The Action Plan and guidelines decided by the Audit Committee shall be approved by the Board before communication to the 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.

The guidelines shall include prescription on:

## **Risk Treatment**

Treatment of Risk through the process of selecting and implementing measures to mitigate risks. 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

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

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

## **Risk Registers**

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Risk and Audit Committee, and the Board.

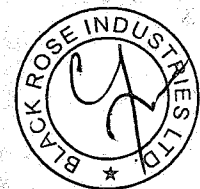
Risk Planning shall play a key role in timely availability of all data/reports required for the Committee to develop the Action Plan as stated above.

The Board shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

## **ROLE OF AUDIT COMMITTEE**

The following shall serve as the Role and Responsibility of the Audit Committee authorized to evaluate the effectiveness of the Risk Management Framework:

- a) Review of the strategy for implementing risk management policy
- b) To examine the organization structure relating to Risk management
- c) *Evaluate the efficacy of Risk Management Systems – Recording and Reporting*



- e) To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines
- f) To define internal control measures to facilitate a smooth functioning of the risk management systems
- g) Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

#### **Integration of Risk Management Strategy**

BRIL's risk management strategy is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

#### **REVIEW**

This policy shall evolve by review by the Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

