

ARSHIYA LIMITED

CIN: L93000MH1981PLC024747

RISK MANAGEMENT POLICY

(As amended & adopted by Board of Directors of Arshiya Limited w.e.f. June 30, 2021)

Board Meeting Date: June 30, 2021

PREAMBLE

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk management policy and processes enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

The Company recognizes risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material risk that may impact shareholder value.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

BACKGROUND

This document lays down the framework of Risk Management at Arshiya Limited (hereinafter referred to as the ‘Company’ or ‘Arshiya’) 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.

APPLICABILITY

This Policy shall come into force with effect from June 30, 2021

OBJECTIVE

The objective of Risk Management at Arshiya is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing 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. To establish a risk intelligence framework for the organization.
2. Providing a framework that enables future activities to take place in a consistent & controlled manner.
3. To establish ownership throughout the Organization and embed risk management as an integral part of the business rather than a stand-alone system.

4. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
5. To ensure that all the current and expected risk exposures of the organization are identified, qualitatively and quantitatively evaluated, analyzed and appropriately managed.
6. Contributing towards more efficient use/ allocation of the resources within the organization.
7. Protecting and enhancing assets and Company image.
8. To enable compliance with the relevant legal and regulatory requirements.
9. Reducing volatility in various areas of the business.
10. Developing and supporting people and knowledge base of the organization.
11. Optimizing operational efficiency.

POLICY

Before proceeding to the Policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management;

The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Audit Committee's role is to evaluate the risk management systems:

This Policy shall complement the other policies of Arshiya Limited in place e.g., Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

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.

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 Vice Chairman & Managing Director (VC&MD) along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by VC&MD through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk Management Committee.

The following steps to be taken:

Risk identification:

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

- i. Strategic
- ii. Operational
- iii. Financial
- iv. Hazard

Risk Description:

To display the identified risks in a structured format

Name of Risk	Mention the name/ type 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 & Probability
Risk Tolerance/ Appetite	Loss Potential & Financial Impact of Risk
Risk Treatment & Control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring & Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy & Policy Development	Identification of Function Responsible to develop Strategy & 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) Risk Management 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 **Risk Management Committee** consist of no fewer than three members, majority of whom shall consist of members of the Board including one independent director. 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. Themembers of the Risk Management Committee shall discharge the role of "Think Tank", ideateand bounce off their collective suggestions to the Board for periodic updation 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 Arshiya Limited is engaged in or shall undertake.

Risk Management Committee shall critically examine the report of VC&MD 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 SWOT analysis, data on Production Planning, Materials Management, Sales & 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 Risk Management 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 & 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 Management Committee, Audit Committee and the Board.

Enterprise Risk Planning (ERP package) 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:

1. To review of the strategy for implementing risk management policy
2. To examine the organization structure relating to Risk management Evaluate the efficacy of Risk Management Systems – Recording and Reporting
3. To review all hedging strategies/ risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines
4. To define internal control measures to facilitate a smooth functioning of the risk management systems.
5. 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:

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 aid in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

Penalties:

The penalties are prescribed under the Companies Act, 2013 (**the Act**) under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134(8) of the Act (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

There are other provisions of the Act as well as SEBI Regulations which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

Review:

This Policy shall evolve by review by the Risk Management 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.