RISK MANAGEMENT POLICY UNDER COMPANIES ACT, 2013
BACKGROUND AND CONTEXT APPLICABILITY:

Enterprise risk management was not mandatory according to the Companies Act 1956. However, as per the new law, there are specific requirements that a company needs to comply with. This document lays down the framework of Risk Management at the Uniroyal Industries Limited. 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 Uniroyal Industries Limited 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.

RISK MANAGEMENT:

Risk management, by and large involves reviewing the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, deciding how to manage it and then taking appropriate actions to address any threats by implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate corrective action.

OBJECTIVES

1. Providing a framework that enables future activities to take place in a consistent & 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. Optimizing operational efficiency.

APPLICABILITY

This policy shall complement the other policies of Uniroyal Industries Limited in place e.g. Related Party Transactions Policy, Whistle blower Policy, Sexual Harassment etc. to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

STEPS FOR IMPLEMENTATION

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

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

2. **RISK DESCRIPTION:** The description of the prospected risk related to a particular task must be ascertained and recorded in the specified manner.

    - 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 & 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
- To display the identified risks in a structured format

3. RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

External Risk Factors

- Economic Environment and Market conditions
- Political Environment
- Competition

Internal Risk Factors

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

REVENUE CONCENTRATION AND LIQUIDITY ASPECTS

Each business area of products such as pumps, turbines, motors, generators, switchgears and turnkey projects has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and milestone payment requirements, they carry higher risks for profitability and liquidity.

INFLATION AND COST STRUCTURE

Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer time-frame, as much higher risks for inflation and resultant increase in costs.

TECHNOLOGY OBSOLESCENCE

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

LEGAL

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

FLUCTUATIONS IN FOREIGN EXCHANGE

The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of "Stop Loss" which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

4. 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.

5. 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

Internal Reporting

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

External Reporting: To communicate to the stakeholders on regular basis as part of Corporate Governance.

6. BOARD APPROVAL

The Action Plan and guidelines 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.

7. 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.

8. REVIEW

This policy shall evolve by review by the Risk and 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. This Policy may be amended or substituted by the RMC or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy. However, no such amendment or modification will be binding on the Directors and employees unless the same is communicated in the manner described as above.