



## **RISK MANAGEMENT POLICY**

(Effective from 1<sup>st</sup> October, 2014)

### **Preamble**

This is in compliance with Section 134 of the Companies Act, 2013 and Clause 49 (VI) of the Listing Agreement which requires the Company to develop and implement a Risk Management Policy and to lay down risk assessment and minimization procedures.

### **Objective**

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

### **Role of Board of Directors**

The Board of Directors of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy.

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.
- Ensure that the appropriate systems for risk management are in place.
- The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks;

- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

## Role of Head of Departments

Heads of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Chief Financial Officer.

## Risk Profile

The Company considers that any risk that could have a material impact on its business should be included in its risk profile. The areas of risk include,

- a. Raw Material Risk
- b. Quality Risk
- c. Technology Risk
- d. Competition Risk
- e. Financial Risk including Foreign Exchange Risk
- f. Realisation Risk
- g. Cost Risk
- h. Legal Risk
- i. Foreign Exchange Risk

The key risk management process would include

- i. Risk Identification
- ii. Assessment of identified risk
- iii. Risk measurement
- iv. Risk mitigation
- v. Monitoring of the risk mitigation efforts
- vi. Risk reporting and disclosures
- vii. Integration with strategy and business plan

## Role of the Audit Committee

A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. It also monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

## Constitution of Risk Management Committee

Risk Management Committee shall be constituted by the company consisting of such number of directors (executive or non-executive) as the Company thinks fit. The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

## Review

The Company's risk management system is always evolving. It is an ongoing process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstances.

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# Charter of the Risk Management Committee

## Purpose

The purpose of the Risk Management Committee of the Board of Directors of Rajoo Engineers Limited (the "Company") shall be to assist the Board with regard to the identification, evaluation and mitigation of operational, strategic and external environment risks. The Committee has overall responsibility for monitoring and approving the risk policies and associated practices of the Company. The risk management committee is also responsible for reviewing and approving risk disclosure statements in any public documents or disclosures.

## Composition

The majority of Committee shall consist of members of the Board of Directors. Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

## Meetings and Quorum

The quorum necessary for transacting business at a meeting of the Committee shall be two members.

## Authority

The Committee shall have free access to management and management information. The Committee, at its sole authority, may seek the advice of outside experts or consultants where judged necessary.

## Terms of Reference

- ◆ The risk management committee shall annually review and approve the Risk Management Policy and associated frameworks, processes and practices of the Company.
- ◆ The risk management committee shall ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- ◆ The risk management committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning & testing).
- ◆ The risk management committee will coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice).
- ◆ The risk management committee shall make regular reports/ recommendations to the Board.
- ◆ The risk management committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.