SIMBHAOLI SUGARS

RISK MANAGEMENT POLICY

OF

SIMBHAOLI SUGARS LIMITED

I. PREAMBLE

This Risk Management Policy ("RMP") is prepared and adopted to build a framework for risk management of Simbhaoli Sugars Limited* ("SSL" or "the Company"), in accordance with the requirements of the Companies Act, 2013 ("Act"). This Policy is aimed to develop an approach to make an assessment and management of the risks in financial, operational and project based areas in a timely manner.

**M/s Simbhaoli Spirits Limited known as M/s Simbhaoli Sugars Limited in pursuance to Scheme of Amalgamation, as sanctioned by the Hon'ble High Court of Judicature at Allahabad.*

II. PURPOSE

The Act provides for the requirement of developing and implementing a Risk Management Policy ("RMP") of the Company and a statement to this effect shall be included in the report of Board of Directors ("Board") every year. The statement shall contain the identification of risk elements, if any, which in the opinion of the Board may create threat for the existence of the Company.

III. OBJECTIVE

The Company is exposed to several types of risks, including operational, regulatory and financial risks. The key objective of this Policy is to ensure sustainable business expansion with stability, and to promote an upbeat approach in risk management process by eliminating risks. In order to achieve this key objective, this Policy provides a pro-active and well-organized approach to manage various types of risks associated with day to day business of the Company and minimize adverse impact on its business objectives. Main objectives of the Policy are:

1. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately and mitigated, minimized and managed i.e. to ensure adequate systems for risk management;
2. To ensure systematic and uniform assessment of risks related with different projects of the Company;
3. To establish a framework for the Company's risk management process and to ensure Company-wide implementation;
4. To protect brand value through strategic control and operational policies;
5. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

IV. BACKGROUND AND IMPLEMENTATION

SSL is a conglomerate in the area of Sugar and it's by products to inherent business and financial risks. This Policy is in accordance with the provisions of Section 134 of the Companies Act, 2013 which requires the Company to develop and implement RMP for laying down the procedure for risk assessment and minimization.

The Risk Management Committee of the Company shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network. The head 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 Risk Management Committee.

V. CATEGORIES OF RISKS

The sugar industry faces constant pressure from the evolving marketplace that impacts important issues in risk management and threatens profit margins. The business is exposed to several kinds of risks from time to time which include the following:

1. **Strategic Risks:** These risks are relating to the flux and movement of money and capital in the Company. This will include cash flow management, investment evaluation and credit default. These risks emanate out of the choices, the Company makes in the markets, resources and delivery of services.

2. **Industry and Competition Risks:** Risks relating to the sugar and alcohol industry, including competition in the industry, technological landscape, risks arising out of volatility manufacturing industry, and those relating to brands of the Company.

3. **Risk of Theft, Pilferage and Non Delivery:** Risks relating to theft or pilferage, when the goods manufactured are failed to be delivered to the buyers. The risk of Non- delivery concerns a situation where the whole cargo is not delivered to the consignee.

4. **Risk of Clash and Breakage:** The risk of clash and breakage is mainly referred to the risks associated with the manufacturing output caused due to quiver, bump, squeezing, lacquer desquamation, nick and so on, in transit. Fragmentation is mainly referred to fragile substances and includes loss including breaching and smash in transit due to careless loading and unloading and bumping of conveyance, and may also occur during warehousing.

5. **Operational Risks:** Most common, and often combatable in all situations, these risks related to business operations such as those relating to determination, identification and procurement of vendors, services delivery to vendors, security and surveillance, labour issues, blocking of funds and business activity disruptions.

6. **Currency Risk:** The Company deals in various foreign currencies and are exposed to fluctuations in the currency markets from time to time.

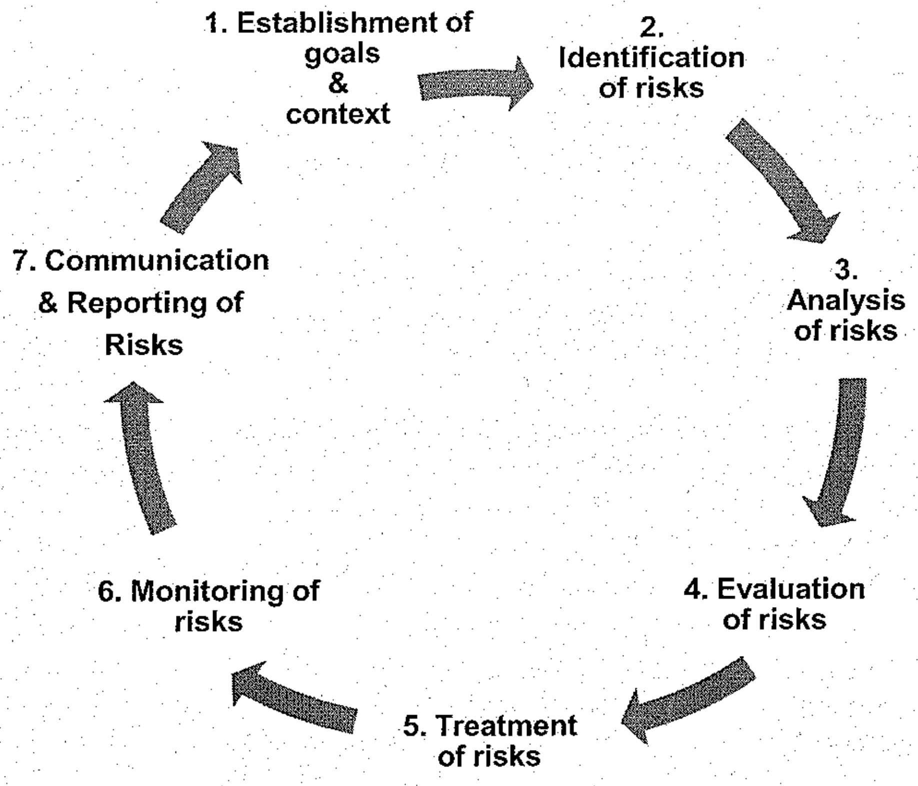
7. **Resource Risk:** The Company may at times, become susceptible to various risks associated with the procurement of talent, capital and infrastructure, as may be specific to the industry.

8. **Risks relating to regulatory and compliance framework:** Risks due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigations and related costs and effect on brand value and image.

9. **Technological Risk**: The Business of the Company is subject to frequent and revolutionary technological changes as new products are being developed in this segment. This also leads to risk of obsolescence of machinery as well as inventory.

Due to the constant changes in the issues affecting the business, there is always a need for proactive solutions for risk prevention and management. A comprehensive risk policy covering the broadest spectrum of potential risks will provide the most protection.

VI. RISK MANAGEMENT PROCESS



1. ESTABLISHMENT OF GOALS & CONTEXT

The purpose of this stage is to understand the environment in which the Company operates, keeping in view its external environment, as well as, internal culture. For this, the Company shall establish it's strategic, organizational and risk management context and identify the constraints and opportunities of its operating environment.

2. IDENTIFICATION OF RISKS

Periodic assessment to identify significant risks for the Company and prioritizing the risks for action is an important aspect of this Policy. Mechanisms for identification and prioritization of risks include risk survey, scanning of the environment of risks, discussions about the risks and threats to the Company. The internal audit findings shall also include pointers for risk identification. The risks so identified shall be reviewed and monitored by the Risk Management Committee and report of the same shall be presented to the Board periodically.

Key questions that may assist identification of risks include:

- ✓ To achieve its goals, the Company shall determine when, where, why, and how are risks likely to occur?
- ✓ What are the risks associated with achieving each goal?
- ✓ What are the risks of not achieving these goals?
- ✓ Who are involved (for example, suppliers, contractors, stakeholders) in the creation, as well as combating of the same?

The appropriate risk identification method will depend on the application area (i.e. nature of activities and the hazard groups), the nature of the business, resources available, regulatory requirements as to objectives, desired outcome and the required level of detail.

3. ANALYSIS OF RISKS

Risk analysis involves the consideration of the source of risk, the consequence and likelihood of the risks to estimate the inherent or unprotected risk without controls in place. It also involves identification of the controls, an estimation of their effectiveness and the resultant level of risk with controls in place (the protected, residual or controlled risk). Qualitative, semi-quantitative and quantitative techniques are all acceptable analysis and the techniques depending on the risk, the purpose of the analysis and the information and data available.

4. EVALUATION OF RISKS

Once the risks have been analyzed, they can be compared against the previously documented and approved tolerable risk criteria.

The decision of whether a risk is acceptable or not is taken by the relevant manager. A risk may be considered acceptable if for example:

- ➢ The risk is sufficiently low that treatment is not considered cost effective, or
- ➢ A treatment is not available, e.g. a project terminated by a change of government, or
- ➢ A sufficient opportunity exists that outweighs the perceived level of threat.

If the manager determines the level of risk to be acceptable, the risk may be accepted with no further treatment beyond the current controls. Acceptable risks should be monitored and periodically reviewed to ensure they remain acceptable. The level of acceptability can be organizational criteria or safety goals set by the authorities.

5. TREATMENT OF RISKS

For top risks, dashboards shall be created to track external and internal indicators relevant for risks, so as to indicate the risk level. The trend line assessment of top risks, analysis of exposure and potential impact shall be carried out. Mitigation plans shall be finalized, owners identified, and progress of mitigation actions shall be regularly and periodically monitored and reviewed. Treatment options which are not necessarily mutually exclusive or appropriate in all circumstances shall be driven by outcomes that include:

- ➢ Avoiding the risk,
- ➢ Reducing (mitigating) the risk,

- Transferring (sharing) the risk, and
- Retaining (accepting) the risk.

6. MONITORING OF RISKS

It is important to understand that the concept of risk is dynamic and needs periodic and formal review. The currency of identified risks needs to be regularly monitored atleast once in a year, but a comprehensive review should be done every three year. New risks and their impact on the Company may be taken into account. This step requires the description of how the outcomes of the treatment will be measured. Milestones or benchmarks for success and warning signs for failure need to be identified.

The review needs to validate the risk management process and the documentation related with it. The review also needs to consider the current regulatory environment and industry practices, which may have changed significantly in the intervening period.

The assumptions made in the previous risk assessment (hazards, likelihood and consequence),the effectiveness of controls and the associated management system as well as people need to be monitored on an on-going basis to ensure risk are in fact controlled to the underlying criteria.

For an efficient risk control, the analysis of risk interactions is necessary. This ensures that the influence of one risk to another is identified and assessed. A frame-work needs to be in place that enables responsible officers to report on the following aspects of risk and its impact on the Company's operations:

- What are the key risks?
- How are they being managed?
- Are the treatment strategies effective? – If not, what else must be undertaken?
- Are there any new risks and what the implications for the organization are?

7. COMMUNICATION & REPORTING

Risk updates shall be provided to the Board. Entity level risks such as project risks, account level risks etc. shall be reported to and discussed at appropriate levels of the Company. Clear communication is essential for the risk management process, i.e. clear communication of the objectives, the risk management process and its elements, as well as the findings and required actions as a result of their view.

VII. RISK MANAGEMENT COMMITTEE & STRUCTURE

Risk Management Committee ("Committee") has been constituted by the Company consisting of such number of directors and other officers as the Board thinks fit. The Committee shall facilitate the execution of risk management practices in the Company, as mandated and as laid down in this Policy, in the areas of risk identification, assessment, monitoring, mitigation and reporting. The Committee shall ensure that appropriate systems for risk management are in place;

SIMBHAOLI SUGARS

The Board has defined the roles & responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan and such other functions as it may deem fit.

VIII. ROLE OF THE BOARD

The Board will undertake the following to ensure that the risks in the Company are 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 and such other functions as it may deem fit to the Committee;
- The Independent Directors of the Company 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;
- The Board shall actively participate in major decisions affecting the Company's risk profile;
- The Board shall ensure the accountability of the risk management Committee;
- The Board may constitute any committees to ensure that risks are adequately managed and resolved where possible;
- The Board may deploy mechanisms to monitor compliance with the Policy.

The Board will gather and review information and data, be thorough in assessments, seek independent or expert advice where appropriate and provide direction and guidance to the Risk Management Committee in terms of decision-making.

In fulfilling the duties of risk management, the Risk Management Committee may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the approval of the Board.

IX. DISCLOSURE IN BOARD'S REPORT

Board shall include a statement indicating development and implementation of a Risk Management Policy for the Company, including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

X. REVIEW

The Board may in its discretion or on the recommendations of the Risk Management Committee or as per the requirements of the applicable laws, review or amend this policy, in whole or in part, from time to time.

For SIMBHAOLI SUGARS LIMITED

Signed

KAMAL SAMTANI
Company Secretary

Effective Date: Feb 15, 2016

SIMBHAOLI SUGARS LIMITED NOIDA (U.P.)