

RISK MANAGEMENT POLICY

DEFINITIONS:

1) Risk-

Oxford Dictionary defines the term "risk" as a chance or possibility of danger, loss, injury or other adverse consequences.

2) Risk Management-

Risk Management is the process of systematically identifying, quantifying and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals. It attempts to identify and then manage threats that could severely impact or bring down the organization.

OBJECTIVES:

The main objective of this policy is to ensure sustainable business growth with stability and to review the operations of the organization, identify potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats. The definite objectives of the Risk Management Policy are:

- *To establish a framework for the Company's risk management process and to ensure Companywide implementation;*
- *To ensure that appropriate systems are in place to identify the material risks facing the Company and appropriate responsibilities are delegated to control identified risks effectively;*
- *To ensure that the potential financial impact of identified risks is ascertained;*
- *To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices, appropriate controls and strategies;*



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- To disclose material changes to the Company's risk profile in accordance with the Company's continuous disclosure policy.

PRINCIPLES OF RISK MANAGEMENT:

- The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses;
- All employees of the Company shall be made aware of risks in their respective domains and their mitigation measures;
- The risk mitigation measures adopted by the Company shall be effective in the long run and to the extent possible be embedded in the business processes of the Company;
- Regular review and necessary amendments be made in the policy depending on the change in Company's strategy;
- The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

RESPONSIBILITY & ACCOUNTABILITY:

Board	The Board (including its Committees) is responsible for the management of risk in the Company. It will report annually about its risk assessment strategy in its Annual Report.
Audit Committee	The Audit Committee provides assistance to the Board in fulfilling its risk management responsibilities as set out in the Committee Charter.
Employees	All employees are responsible for taking all reasonable and practicable steps to perform their responsibilities delegated under this policy and related procedures.



CHARTER OF RISK MANAGEMENT POLICY

KEY RISKS ASSOCIATED WITH THE COMPANY:

The key risks associated with the Company are as follows:

(i) *Competition-*

Due to competition from comparable jute producing countries like Bangladesh in the export market and owing to huge differences in manufacturing cost of production, between both countries, as well as offering of many subsidies by the Bangladesh Government to their units, there is a risk that the Company may not achieve its strategic objectives to grow the business through acquisitions and diversification and expansion of its activities, alternatively such growth objectives may not realize the forecast profits.

ii) *Export-*

The export of jute goods becomes difficult due to the regular fluctuations in the value of Rupee currency against other foreign currencies.

iii) *Legal Threat-*

Taking into account the threat of the Central Government to withdraw JPMA has led to difficulty in competing with substitute cheaper packaging industries like plastic & synthetic materials.

iv) *Escalating cost of production-*

The cost of production has further increased due to the substantial increase in productivity without much increase in profitability. Consequently, it has also effected competition with its substitute products.

v) *Market Stability-*

The newly installed units are operating at lower wage costs and some other units have obtained various Government support and subsidies under the protection of various clauses of BIFR which are more beneficial and cost saving for them in comparison to other existing composite units, which is creating problems in market stability.

vi) *Employee Misconduct-*

An undisciplined work culture is developing amongst the workers. The habit of sudden willful absenteeism from work is very random amongst the workers, which is a matter of serious concern considering the fact that this unprofessional behaviour on the part of the workers hampers work and also increases the cost of manufacturing.



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vii) Availability of Specialized Labour-

The non availability of skilled and semi skilled workmen is a matter of another concern as it results in idle production capacity and also leads to diminishing quality of output and increases wastage.

Risk Assessment:

The process of Risk Assessment shall cover the following:

- a) Risk Identification-The risk associated with the smooth functioning of the business of the Company is identified at first.*
- b) Risk Description-Risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures.*
- c) Risk evaluation-After identifying and understanding the risks, it is evaluated so that the measures for curbing the risk can be found out.*

Risk Monitoring and Risk Mitigation:

In order to manage the risks identified by the Company, they are closely monitored and certain measures are taken to curb the said risks in the following areas of operation:-

❖ Competition-

The market for Jute is rapidly evolving and highly competitive and we expect that competition will continue to intensify due to establishment of new capacities, expansion of existing capacities and consolidation of operations across the Jute Industry.

The Industry is facing an increased demand for Jute sacking bags for packing food grains and for the import of huge quantities of wheat, sugar etc. as well. The Government has also taken various innovative steps to modernize the present condition of the Jute Industry. The Central Government has announced financial help and incentives for the technological upgradation of this otherwise sinking Industry, which would enable the Company to curtail costs of manufacturing by installing high efficiency and more productivity with power saving machineries.



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To counter pricing pressures caused by strong competition, the Company has been increasing operational efficiency and continued to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.

❖ *Economic Environment and Market conditions*

Strategically, we seek to continuously expand our customer base to maximize the potential sales volumes and at the same time securing additional volumes from existing customers on the basis of our record of satisfactory performance in our earlier dealings. Efforts are continuously made to improve quality of products to derive optimum value from the existing customer base and subsequently target at a larger customer profile. Historically, the strength of our relationships has resulted in significant recurring revenue from existing customers.

❖ *Revenue Concentration*

The Company has single business segment thus the revenue of the Company is completely dependent upon that particular segment which exposes the company to the risks inherent in that segment. Concentration of revenue from any particular segment of industry is sought to be minimised over the long term by careful extension into other activities like investment in shares, securities and mutual funds and other areas in which the company has some basic advantage such as availability of land, technical or manpower resources.

❖ *Cost structure*

The cost of production consists primarily of raw materials including coal, clinker, power; jute etc. At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored.

❖ *Technological Hindrances*

Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing



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technology. We have access to newer and evolving processes and their applications in the manufacture of capital goods.

The Company is making continuous efforts to adopt the latest technological advancements in the market by installing new machineries with higher efficiency, in order to produce improved traditional goods as well as to diversify the manufacture of jute products. New high efficiency machineries have been installed as well as upgradation of the existing machinery has been made wherever required.

❖ *Fluctuations in Foreign Exchange*

Considering the fact that the export of jute goods becomes difficult due to the regular fluctuations in the value of Rupee currency against other foreign currencies.

The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability.

❖ *Risk of Corporate accounting fraud*

Corporate accounting fraud is one of the malpractices practiced in a developing economy, thus, to overcome this problem, the Company being a follower of good corporate governance practices, has incorporated the following principles in its risk assessment mechanism:-

- Enforcing and monitoring the code of conduct for key executives
- Instituting Whistle blower mechanisms
- Continuous evaluation of Internal Control systems.
- Scrutinising of management information data to pinpoint dissimilarity of comparative figures and ratios
- Creating a favourable atmosphere for auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals.



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❖ *Legal Risk*

As the Company is governed by various laws, rules and regulations, it is exposed to Legal risk whereby the Company is exposed to legal action.

We have an experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments.

❖ *Environmental Risk Management*

The Company endeavors to protect the environment in all its activities, as a corporate social responsibility.

The legal exposure in this regard is when polluting materials are discharged into the environment by causing danger to fragile environmental surrounding is an offence.

The Company seeks to check pollution causing activities by inculcating various pollution curbing mechanism.

❖ *Human resource management*

The Risk in matters of human resources are sought to be minimised by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belongingness and commitment and also effectively train them in spheres other than their own specialization, so that they get motivated to work sincerely and their willful absenteeism from work could be overcome. They are also encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas relating to manufacturing procedures etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure.



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ANNUAL REPORTING:

At the conclusion of each financial year, the Chief Financial Officer must report to the Board in writing that:

- (i) the financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (ii) the Company's risk management and internal compliance and control system which underpins the integrity of the Company's financial reporting is operating effectively in all material respects and that nothing has occurred during the financial year that would materially change the position.

DISCLAIMER CLAUSE:-

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

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Auckland International

Director