RISK MANAGEMENT POLICY
Effective Date: 5th May, 2021
Version: 3
Last Review Date: 30th January, 2024

DEFINITIONS

1. Risk

Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

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.

3. Risk Strategy

The Risk Strategy of a Company defines the Company's standpoint towards dealing with various risks associated with the business. It includes the Company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the Company.

4. Risk Assessment

Risk Assessment is defined as the overall process of risk analysis and evaluation.

5. Risk Estimation

Risk Estimation is the process of quantification of risks.

6. Risk Tolerance

Risk tolerance indicates the maximum quantum of risk which the Company is willing to take as determined from time to time in accordance with the Risk Strategy of the Company.

7. Company

The word Company refers to "ADF Foods Limited".

APPLICABILITY

The policy applies to the whole Company and includes all employees across all offices, factories and functions.

SCOPE AND EXTENT OF APPLICATION

This policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the Company and events outside the Company which have a bearing on the Company's business. The policy shall operate in conjunction with other business and operating/administrative policies.

OBJECTIVES OF THE POLICY

The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.
2. To establish a framework for the Company's risk management process and to ensure Companywide implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.

To realize the risk management objective, the Company aims to ensure;

1. All business decisions will be made with the prior information and acceptance of risk involved.
2. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.
3. All employees of the Company shall be made aware of risks in their respective domains and their mitigation measures.
4. The risk mitigation measures adopted by the Company shall be effective in the long-term and to the extent possible be embedded in the business processes of the Company.
5. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in Company's strategy.

6. The escalation of risk management is timely, accurate and gives complete information on the risks to support decision making at all management levels.

RISK OWNERS

The following shall be responsible for reporting the risks on a quarterly basis to the Board of Directors at their meeting.

Members heading the following major functions:

- Sales & Marketing
- Finance
- Human Resources
- Purchases
- Factory Operations
- Cyber Security
- Legal and secretarial

RISK REPORTING:

The Risk Committee shall review risks on a half yearly basis and shall report the same to the Board.

Any risks assessed as high risk shall be escalated to the Audit Committee on an immediate basis.

ROLES AND RESPONSIBILITIES

The risk management roles and responsibilities will be as follows;

1. The Board will review the risk management policies and systems periodically
2. The Managing Director will be responsible for ensuring that the risk management system is established, implemented and maintained in accordance with this policy.
3. Assignment of responsibilities in relation to risk management will be the prerogative of the Chief Risk Officer.
4. Department heads/Managers will be accountable to the Chief Risk Officer for identification, assessment, aggregation, reporting and monitoring of the risks related to their respective areas.

5. Each Department head/ Manager would on quarterly basis report on the following areas to the Chief Risk Officer:

   a) Whether any new risks have been added in his area.
   b) Whether any new controls have been implemented to avoid existing risks.
   c) Whether any major events have occurred during the quarter that would impact the risk rating. **

6. Officers will be accountable to the respective Department heads/ Managers for identification, preliminary assessment, reporting and monitoring the risks related to their individual area of work.

RISK MANAGEMENT PROCESS

Step 1: Risk Identification

- The business risk shall be identified in consultation with the concerned Process Owners / Business Heads.
- For each of the identified risk the risk owner shall be identified.

Step 2: Risk Categorization

- Each of the identified risk shall be categorized as follows.

  - ✓ Risk Category (Strategic, Operational, Compliance, Financial / Reporting and Cyber Security)
  - ✓ Risk Sub Category (Political, Economic, Social, Technology, Legal, Environmental)

Step 3: Risk Analysis

- Probability analysis of each of the identified risk shall be done in consultation with the concerned Process Owners / Business Heads. Accordingly it will be classified as Not Likely, Low Likely, Likely, Highly Likely and Near Certainty. Based on the probability analysis the numerical probability value shall be assigned to the Risk.
- Impact Rating will be allotted to each of the identified risk viz. Marginal, Significant, Serious, Very Serious and Catastrophic. Based on

the Impact Rating the numerical Impact Value shall be assigned to the Risk.

- Risk Exposure Value shall be determined based on the product of Probability Value and Impact Value. Based on Risk Exposure Value the Risk shall be categorized under High. Medium or Low.

C] Formulation of risk management strategy

The Company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

a) Risk Avoidance: By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
b) Risk Transfer: Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.
c) Risk Reduction: Employing methods/solutions that reduce the severity of the loss.
d) Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained.

D] Implementation of Risk Management Strategy:

Each Department Head/ Manager will ensure that the risk management strategy is effectively implemented at the earliest.

E] Monitoring the compliance of Risk Management Strategy:

Each Department Head/ Manager will monitor the compliance of risk management strategy. The discrepancies/ non compliances if any will be immediately brought to the notice of the Chief Risk Officer.

Approval of the Policy

The Board will be the approving authority for the Company's overall Risk Management System. The Board will, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

Review of the Policy

The policy will be the guiding document for risk management and will be reviewed as and when required due to the changes in the risk management regulations/ standards/ best practices as appropriate or atleast once in two years.

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