



VAMSHI RUBBER LIMITED

RISK MANAGEMENT & MITIGATION POLICY

HR, Issue 1.0

Introduction

This Policy is a formal representation of Vamshi Rubber's commitment to Risk Management Policy Statement.

Vamshi Rubber Limited is committed to ensuring that risk management practices are entrenched into all business processes and operations to drive consistent, effective, and accountable action, decision making and management practice.

Purpose

The Company recognizes that management has a responsibility to identify and address all threats and opportunities associated with the provision of safe and healthy operating environment for all employees, the stakeholders involved and the community.

Management undertakes to co-operate and consult with employees and external stakeholders, to ensure that the risks associated with the Company are formally identified, assessed, and managed in accordance with this Policy. The development and dissemination of this Policy is intended to:

- Promote an awareness of the major risks to which the company is exposed;
- Develop an understanding Risk Management Framework and the importance of risk management

The Committee may appoint a Risk Manager being any one of the Executive Directors for the purpose of reporting adherence or otherwise of this Policy to the Board and to assist the Board to assess the Risk Management procedure.

Concept of Risk

A risk has been defined in concise oxford dictionary as *hazard, chances of bad consequences, loss etc.* A risk in commercial terminology is unwanted and uncertain event. Risk Management is the culture, process, and structure that are directed towards the effective management of threats to the organization.

Risk Management Principles

- a. The Principles contained in this Policy and strategy will be applied at both Corporate and operational levels within the Organization.
- b. The Company's Risk Management Policy and Strategy will be applied to all operational aspects of the Organization and will consider strategic risks arising from or related to external and / or internal risks.
- c. Our positive approach to risk management means that we will not only look at the risk of things going wrong, but also the impact of not taking opportunities or not capitalizing on corporate strengths.

Risk Context

Vamshi Rubber Limited recognizes that risk is dynamic and is inherent in all external and internal operating environments and is committed to managing all risks effectively. Effective risk management is a means for achieving competitive advantage and is pivotal to enabling the ongoing growth and success of our business.

We appreciate that to continue to strengthen our position we need to understand the opportunities and challenges our business is faced with, now and in the future.

Risk management is essential for good corporate governance and is fundamental to good management practices. This Policy sets out the objectives for the management of risk.

Scope

This policy is applicable to all Vamshi Rubber businesses; at all levels within the organization and to all types and categories of situations. This Policy applies to its Directors, all its employees and to the extent it is possible, to its customers as well. Vamshi Rubber's Directors, employees, and customers, here after in this policy, are collectively referred to as 'Employees'.

Objectives

Effective risk management within Vamshi Rubber has the following objectives:

- a. Promoting integration of risk management processes at all levels throughout the enterprise with:
 - i. Business strategy; project management; decision making and business processes;
 - ii. In the audit and specialist risk evaluation functions and adoption of strategies for countering risks including through available insurance covers; and
 - iii. In statutory compliances and general governance functions.

- b. Promote consistency and transparency in methodology, assessment and management processes.

- c. Promote proactive recognition of external factors and encourage anticipation of uncertainties that may affect the achievement of strategy.
- d. Sponsor confidence in operations, management decision and encourage pursuance of certainty of the expected outcomes.
- e. Protect the interests of stakeholders
- f. Provide assurance to counterparts, customers, employees and the community.
- g. Sponsor innovation and achieve value maximization from assets and ventures and to the community.
- h. Provide appropriate, consistent and transparent ownership and accountability around risk, its assessment and mitigation.
- i. Enable the designing and implementation of controls that:
 - i. Are structured to promote effective realization of objectives;
 - ii. Provide appropriate assurance; and
 - iii. Are cost-effective.
- j. Recognize that timely and accurate monitoring, review, reporting and communication of risk is critical to:
 - i. Providing early warning mechanisms for the effective management of risk occurrences and its consequences;
 - ii. Providing assurance to management, the Board and stakeholders;
 - iii. Providing a solid platform for growth; and
 - iv. Generating and maintaining a sound corporate history

Accountability

Board

The Board has the ultimate responsibility for overseeing the performance of Vamshi Rubber Limited, including monitoring of risk management and internal control systems.

The Board is responsible for maintaining and overseeing a sound system of internal controls based on the adoption by the Board of a risk-based approach to the identification, assessment, monitoring and management of risks that are significant to the fulfillment of business objectives.

More specifically the Board is required to:

- Review and approve risk management policy and framework for identifying, assessing, monitoring and managing risks;
- Regularly review Vamshi Rubber's updated risk profile;
- Monitor the effectiveness of the risk management framework and the system of internal control. As part of monitoring and assessing the effectiveness of the system of internal control, regularly receive and review reports on internal controls;
- Review at least annually, Vamshi Rubber's implementation of the risk management policy and framework; and
- Review the adequacy of Vamshi Rubber's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of Vamshi Rubber's principal insurers.

Risk Management Process

Identifying risks

The first step is to identify the embedded risk. Identifying risk involves first, examining the sources of all risks, particularly from the perspective of the Company and all its stakeholders.

The next step is to locate the root cause of the risk which could involve interaction with the persons concerned.

Evaluation and prioritizing of risks

a. The next step in the Company's risk management process is evaluation. This involves:

- Identifying who has responsibility of the risk;
- Assessing the probability of occurrence of the risk;
- Assessing the impact of the risk if it were to occur;
- Assessing the types of controls currently in place;
- Assessing the adequacy of the existing controls;
- Identifying future actions for better management of the risk.

b. The tables below give guidance in assessing the probability, impact, and control ratings associated with each risk. In the absence of more quantitative data, this approach relies very much on the experience and knowledge of a group of people from the area under consideration;

c. The process of assessing the probability and the impact of risk together with the adequacy of controls is often best done by a group of people having understanding of the particular area and by consideration of debating the multiple and differing points of view of the group.;

d. Probability ratio

| | |
|------------------|--|
| Very High | Certain to happen sometime in the next 12 months |
| High | Highly likely to happen sometime in the next 3 years |
| Medium | Likely / possible to occur to sometime in the future |
| Low | Unlikely to occur anytime in the future |
| Very Low | Highly unlikely to occur at any time in the foreseeable future |

e. Control rating

| | |
|----------------------|---|
| Excellent | Controls are effective and efficient and are demonstrably ‘best practice’ |
| Very good | Controls are reasonable, well balanced and effective |
| Good | Controls are reasonable and well balanced |
| Medium | Controls are just starting |
| Poor | Very few mechanism are in place |
| Insignificant | |

Risk assessment

Risk assessment is the next step in the Risk Management Policy of the Company. Risk Assessment means the assessment of the risk and impact of the risk on the Company. Operation

heads / divisional heads have to carry out the risk assessment process before undertaking any new job / activity. Risk assessment sheet has to be submitted by the Operation heads / divisional heads to the Risk Manager for the above purpose.

Mitigating procedure

Having identified the potential risk areas in various segments of the Company the functional heads would be proactive to suggest and implement effective preventive measures to ensure that the risks are mitigated if not totally avoided.

For this purpose the various functional heads should interact with their concerned departments, foster suggestions and ideas to prevent all conceivable risks and based on their suggestions improvement in the present internal control procedures can be made.

Evaluating controls

The fourth step in the Company's risk management process involves evaluating the controls.

Controls consist of:

- Hard controls such as: Strategic and operational plans; associated performance measures and comparisons; internal policies and procedures position descriptions and associated performance reviews; audits;
- Soft controls such as: staff attitude surveys; culture assessments; code of conduct and associated values and ethics statements; and self-assessments using recognized framework.

Controls can be grouped under the following heads:

Preventive and pro-active controls

Qualified staff; position descriptions; training; performance measures; strategic and operational plans; policies and procedures; codes of conduct; security

Detective controls

Checks; financial reconciliation; audits; monitoring; fire alarms

Reactive controls

Contingency plans; backups; recovery plans; insurance

Reporting concerns

Risk Manager of the Company will report to the Risk Management Committee about the Risk Management Policy of the Company and about the potential risk of the Company on continuous basis. Risk Manager will submit his report on the compliances / non-compliances to the Risk Management Committee.

Periodic Review

The Risk Management Committee of the Company shall periodically review, at least once in every financial year, the procedures to ensure that the executive management controls the Risk through a properly defined framework.