



**MRS.BECTORS FOOD SPECIALITIES LIMITED**

**RISK MANAGEMENT POLICY**

## 1. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of **Section 134(3)(n) of the Companies Act, 2013** necessitate that the Board’s Report should contain 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.

Further, the provisions of **Section 177(4) of the Companies Act, 2013** require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall *inter alia* include evaluation of risk management systems.

Further **Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** provides that the listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures and the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

In line with the above requirements, it is therefore, required for the Company to frame and adopt its **Risk Management Policy** (the “Policy”).

## 2. INTRODUCTION

**Mrs. Bectors Food Specialities Limited** (the “Company”) is engaged in the manufacture, supply and distribution of biscuits, breads and other bakery products in India and various other countries. The business activities of the Company carry various internal and external risks.

‘**Risk**’ in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

‘**Risk Management**’ is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

### 3. PURPOSE AND SCOPE OF THE POLICY

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 Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

**The specific objectives of this Policy are:**

- a) To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- b) To establish a framework for the company's risk management process and to ensure its implementation.
- c) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- d) To assure business growth with financial stability.

### 4. APPLICABILITY

This Policy applies to all areas of the Company's operations.

### 5. KEY DEFINITIONS

- **Risk Assessment –**  
The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.
- **Risk Management –**  
The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.
- **Risk Management Process –**  
The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

### 6. RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

### ➤ External Risk Factors

- **Economic Environment and Market condition**
- **Political Environment**
- **Competition**
- **Revenue Concentration and liquidity aspects**
  
- **Inflation and Cost structure-**  
Inflation is inherent in any business and there is a tendency of costs going higher.
  
- **Technology Obsolescence –**  
The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments shall be made to bring in the best of the prevailing technology.
  
- **Legal –**  
Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various business laws and there exist a regulatory environment for its operations; the Company is exposed to legal risk.
  
- **Fluctuations in Foreign Exchange-**  
The Company's operations span to foreign countries as it is engaged in manufacturing for various international brands, home brand of different countries and also engaged in exports of its own products to various countries. The Company is thus exposed to foreign exchange fluctuations due to sales, purchases and other expenses. The Company has a robust system and policy for hedging in order to insulate from foreign exchange fluctuations. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of "Stop Loss" which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

### ➤ Internal Risk Factors

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

## 7. RISK MANAGEMENT COMMITTEE

The Company has constituted a Risk Management Committee by the Board resolution dated July 10, 2018. The scope and functions of the Risk Management Committee are in compliance with the Regulation 21 of the SEBI Listing Regulations.

The Risk Management Committee currently comprises of:

1. Mr. Rahul Goswamy, Nominee Director - Chairperson
2. Mr. Parveen Kumar Goel, Wholetime Director - Member
3. Mr. Rajiv Dewan, Independent Director - Member

## 8. ROLES AND RESPONSIBILITY FOR RISK MANAGEMENT

Board	<p>The Company's risk management architecture is overseen by the Board of Directors (BOD) and the policies to manage risks are approved by the Board. Its role includes the following:-</p> <ul style="list-style-type: none"> <li>• Ensure that the organization has proper risk management framework</li> <li>• Define the risk strategy, key areas of company s' focus and risk appetite for the company</li> <li>• Approve various risk management policies including the code of conduct and ethics</li> <li>• Ensure that senior management takes necessary steps to identify, measure, monitor and control these risks</li> </ul>
Audit Committee	<p>The Audit Committee assists the Board in carrying out its oversight responsibilities relating to the Company's (a) financial reporting process and disclosure of financial information in financial statements and other reporting practices, b) internal control, and c) compliance with laws, regulations, and ethics (d) financial and risk management policies. Its role includes the following:-</p> <ul style="list-style-type: none"> <li>• Setting policies on internal control based on the organisation's risk profile, its ability to manage the risks identified and the cost/ benefit of related controls;</li> <li>• Seeking regular assurance that the system of internal control is effective in managing risks in accordance with the Board's policies.</li> <li>• Ensure that senior management monitors the effectiveness of internal control system</li> </ul> <p>Help in identifying risk, assessing the risk, policies / guidance notes to respond its risks and thereafter frame policies for control and monitoring.</p>
Risk Management Committee	<p>The Risk Management Committee is the key committee which implements and coordinates the risk function as outlined in this policy on an ongoing basis. Its role includes the following.</p> <ul style="list-style-type: none"> <li>• to review and assess the risk management system and policy of the Company from time to time and recommend for amendment or modification thereof;</li> <li>• to frame, devise and monitor risk management plan and policy of the Company;</li> <li>• to review and recommend potential risk involved in any new business plans and processes; and</li> </ul> <p>any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable law.</p>

Business Units	<ul style="list-style-type: none"> <li>• Comply with Company standards which relate to particular types of risks;</li> <li>• Manage the risk they have accountability for</li> <li>• review the risk on a regular basis</li> <li>• identify where current control deficiencies may exist;</li> </ul>
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## 9. RISK MANAGEMENT FRAMEWORK

### A) Risk Appetite

1. The Board approves the risk profile or appetite of the Company in material risk areas. The objective of risk appetite statements is to restrict the overall risk levels of the Company based on pre-defined strategies.
2. Risk appetite is communicated through the Company's strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.
3. Risk Appetite statements are submitted to the Board for review and approval.
4. Risk Appetite statements are reviewed annually for necessary changes. Any breach of the appetite statements shall be reported to the Board at the next meeting.

### B) Risk identification

5. Risk identification forms the core of the Risk Management system. Multiple approaches for risk identification are applied to ensure a comprehensive Risk Identification process.
6. The company identifies sources of risk, areas of impacts, events and their causes with potential consequences. Comprehensive identification is critical, because a risk that is not identified here will be missed from further analysis.

### C) Risk Assessment and Risk Rating

7. For all key risks identified during the Risk Identification process, a qualitative and quantitative assessment is carried out. Risk assessment involves different means by which to grade risks in order to assess the possibility of their occurrence and extent of damage their occurrence might cause.
8. Likelihood rating and impact rating is as per the Rating parameters defined by the Company.

### D) Risk Prioritization

9. After the risk assessment is complete, the key risks are prioritised to determine which risk are considered key and need to be addressed on a priority basis.
10. Prioritization of risks involves identifying which risks are materials from a corporate perspective.
11. For this purpose, the materiality scales are used to identify the severity and likelihood of these risks.
12. All risks that fall in the red zone are considered high risk and require immediate attention in terms of risk management.
13. The findings of risk prioritization are presented to Senior Management and Business Units.

### E) Risk Mitigation Process

14. Once the top or critical risks are prioritized, appropriate risk mitigation and management efforts to effectively manage these risks are identified.
15. Risk mitigation strategy usually involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The risk mitigation strategies may include managing the risk through implementation of new internal controls, accepting certain risks, taking insurance, and finally avoiding certain activities that result in unacceptable risks.
16. Proposed actions to eliminate, reduce or manage each material risk are considered and agreed as part of the Risk Assessment Workshops or as part of Management/Risk Committee.

### F) Risk Reporting and Monitoring

17. An enterprise-wide integrated Risk Management Information System (MIS) is implemented by the company.
18. Such information is needed at all levels of the organization to identify, assess and respond to future occurrences of risk events. Pertinent information from both internal and external sources is captured and shared in a form and timeframe that equips personnel to react quickly and efficiently.

### G) Action Plan and Status

19. A risk mitigation action plan is outlined for all priority risks in the high and medium categories. Senior Management and Business Heads design an action plan to mitigate and monitor each of these key risks.
20. An action plan and status reporting is implemented to log actions proposed to mitigate risks and track status of Evidence, of regular review and monitoring of the profile and action plan.
21. The action plan and status is reported quarterly to Audit/Risk Committee to update on the status of mitigation efforts.

## 10. REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

## 11. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.

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