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RISK MANAGEMENT POLICY

I. OVERVIEW

Introduction:

Tirupati Starch & Chemicals Limited ("hereinafter referred to as the Company" or "TSCL") and its actions are increasingly exposed to greater scrutiny by the public, investors and its stake-holders. Accordingly, the Company has to contend with new business challenges, risks and demands for corporate governance.

A key factor for a Company's capacity to create sustainable value is the risks that the Company is willing to take (at strategic and operational levels) and its ability to manage them effectively. Ability to identify and manage risks promptly is also a critical aspect of corporate governance at any Company. Many risks exist in a Company's operating environment and continuously emerge on a day to day basis. Risk management does not aim at eliminating them, as that would simultaneously eliminate all chances of rewards/ opportunities. Risk Management is instead focused at ensuring that these risks are known and addressed through a pragmatic and effective risk management process.

This Risk Management procedures manual aims to provide specific procedures to operationalize the Risk Management Policy of TSCL.

Objectives:

This Risk Management Policy has been created in furtherance of our commitment to building a strong risk management culture. The objectives of Risk management at TSCL are to :

- Better understand our risk profile;
- Understand and better manage the uncertainties which impact our performance;
- Contribute to safeguarding company value and interest of various stakeholders;
- Ensure that sound business opportunities are identified and pursued without exposing the business to an unacceptable level of risk; and
- Improve compliance with good corporate governance guidelines and practices as well as laws & regulations.

Definitions:

Risk - Any event/non-event, the occurrence/non-occurrence of which can adversely affect the objectives/existence of the company. These threats may be internal/ external to the TSCL, may/may not be directly influenced by the TSCL and may arise out of routine/non routine actions of the TSCL.

Risk Management - A structured, consistent and continuous process; for identifying, assessing, deciding on responses to and reporting on the opportunities and threats that may affect the achievement of our objectives.

Risk Library - A compilation of risks identified during the annual risk identification exercise. The risk library may be amended on a quarterly basis to include emerging risks.

Risks That Matter - Key risks (typically with significant impact and likelihood) are derived from the risk library resulting from the annual risk prioritization. Since these risks warrant more focus, the TSCL documents its mitigation strategy for these risks.

Mitigation Plans - Measures (existing and proposed) to mitigate / monitor / transfer the Risks That Matter.

Risk Competency Scan – Identification and assessment of existing risk mitigation strategies to address the Risks That Matter.

Risk MIS - Periodic reports to executive management or directors on risk management and its results.

Risk Self-Certification - Self-certification by 'Risk owners' (including the RTM owners) of the effectiveness of risk management procedures at a defined periodicity during the year.

II. THE RISK MANAGEMENT FRAMEWORK

While defining and developing a formalized Risk Management process, leading risk management standards and practices have been considered. However, the focus has been to make this process relevant to business reality and to keep it pragmatic and simple from an implementation and use perspective.

The Risk Management Framework outlines the series of activities and their enablers that we expect each company to deploy, to assess, mitigate and monitor risks.

The Risk Management Framework at TSCL comprises essentially of the following 2 elements:

- **Risk Management process** that helps identify, prioritize and manage risks in the TSCL; and

- **Risk Management structure** i.e. the roles and responsibilities for implementing the risk management programme.

Below is a representation of the Risk Management Framework.

__Risk Management Process:__

Whether risks are external/ internal to the TSCL, or can/ cannot be directly influenced/ managed, they are addressed by a common set of processes through the Risk Management process. This process is scheduled to be performed:

- Annually along with the business planning exercise.
- At any point of time on account of significant changes in internal business conduct or external business environment.
- When the business seeks to undertake a non-routine transaction (such as an acquisition, entering into a new line of business etc.).

The following stages are involved in the Risk Management process:

1. ***Establish the context*** *is f*ocused on laying down objectives that the company seeks to achieve and safeguard. Risks are identified and prioritized in the context of these objectives.

2. ***Assess (identify and prioritize) risks,*** which comprises of:

a. *Risk identification* – involves identification of relevant risks that can adversely affect the achievement of the objectives.
b. *Risk prioritization* – involves assessing the relative priority of each risk to arrive at the key risks or Risks That Matter ('RTM'). This involves considering the potential impact and likelihood of occurrence of the risk.

3. ***Mitigate risks:*** involves design and implementation of activities that help manage risks to an acceptable level. It involves assessment of the existing competency of management processes to mitigate risks and make improvements thereto. For the Risks that Matter, each company is expected to formally define risk ownership, mitigation activities, responsibilities and milestones.

4. ***Monitor and Report:*** A formal process to update the Board of Directors, the Audit Committee on the risk profile and effectiveness of implementation of mitigation plans.

Risk Management Structure:

The roles & responsibilities for implementing the Risk Management process are as follows:

Monitoring*:*
The Board of Directors has the responsibility for overseeing that the TSCL has put in place a suitable framework for managing risks and this framework have been effectively deployed by the Executive Management. The Board of Directors has delegated the task of overseeing the deployment of the Risk Management Framework to the Audit Committee. On an annual basis, a formal report on Risks That Matter shall be submitted to the Board of Directors for their review.

The Audit Committee is responsible for the overall direction setting and reviewing implementation of the Risk Management Framework. Key responsibilities of the Audit Committee are to:

- Provide direction and evaluate the operation of the Risk Management programme; and
- Review quarterly and annual risk assessments prepared by the Executive Management.

Execution: The Board of Directors and Audit Committee shall be responsible for ensuring effective roll-out of the risk management programme.

III. RISKS

Risks for the Company can broadly classifieds risks that are external and internal as enumerated below.

External Risk Factors	Internal Risk Factors
Economic Environment and Market conditions	Financial reporting risks
Fluctuations in Foreign Exchange	Contractual compliance
Political Environment	Compliance with local laws
Competition	Quality and Project management
Revenue concentration	Environmental management
Inflation and cost structure	Human resource management
Technology obsolescence	Culture and values
Risk of Corporate Accounting Fraud	

IV. LIMITATIONS:

The Risk Management Framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgments in decision-making and violations of legislation and regulations.

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