

RISK MANAGEMENT POLICY
OF
MALU PAPER MILLS LIMITED

1. Overview

Introduction:-

The Company 'Malu Paper Mills Limited' ('hereinafter referred to as the 'Company' or 'Malu Paper') is a leading professionally managed Company in Paper Industry. The Company(Formerly known as Malu Solvex Limited) was incorporated on January 11, 1994 as a Public Limited Company under the Companies Act, 1956. The Works and Registered office of the Company is located at Heera Plaza, 4th Floor, Near Telephone Exchange Square, Central Avenue, Nagpur in Maharashtra. The Company has two units; one is Kraft Paper Unit and second is Newsprint. It has a rich experience, an established brand name; a highly experienced, qualified and motivated management team with a high reputation for manufacturing high quality Newsprint Paper and Kraft Paper.

The Company 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.

Risk management is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

Objectives

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 and to create and protect shareholders' value by minimizing threats or losses, and identifying and maximizing opportunities. 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.

2. 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 Malu Paper comprises essentially of the following 2 elements: -

- A. Risk Management System that helps identify, prioritize and manage risks in the Malu Paper and
- B. Risk Management Structure & Monitoring i.e. the roles and responsibilities for implementing the risk management programme.

A. Risk Management System

Whether risks are external/ internal to the Company, or can/ cannot be directly influenced/ managed, they are addressed by a common set of processes through the Risk Management system/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 System:

1. Establish the context is focused 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:
 - i. Risk identification – involves identification of relevant risks that can adversely affect the achievement of the objectives.
 - ii. 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.

The Company presently focuses on the following types of material risks:

- a) Raw Material Risk
- b) Quality Risk
- c) Technological Risk
- d) Competition Risk
- e) Cost Risk
- f) Financial Risk
- g) Foreign Exchange Risk
- h) Realization Risk
- i) Fire Risk
- j) Human Resource Risk
- k) Legal/Regulatory 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.

B. Risk Management Structure & Monitoring

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

- **Monitoring:** The Board of Directors has the responsibility for overseeing that the Company 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:

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

The Combination of policies, processes/systems as outlined above adequately addresses the various risks associated with the Company's businesses. 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.

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.

DISCLOSURES: The Board's report shall contain a statement indicating the 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 operations businesses of the Company.

APPROVAL AND MODIFICATION: The Board reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.

The Policy is reviewed by the Board and adopted at the meeting held on 12th February 2019.

PUNAMCHAND MALU
MANAGING DIRECTOR & CEO