

RISK MANAGEMENT – POLICY AND PROCEDURES

Preamble

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.

Risk Management is an integral part of the Company's plans and operations. Impex Services Ltd. (hereinafter "Company") has taken efforts to become proactive in recognizing and managing risks, through an organized framework. The Company recognizes risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives.

Paragraph (C) of sub-clause IV of Clause 49 of the Listing Agreement states as under

"The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework"

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the Corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009

The Board of Directors of the Company and the Audit Committee of Directors shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network.

Definitions

- **"Risk"** is defined as the chance of a future event or situation, happening, that will have an impact upon the Company's objectives, favourably or unfavorably. It is measured in terms of consequence and likelihood.
- **"Risk Management"** encompasses risk assessment, plus the evaluation of risks, against established tolerances, their treatment and monitoring.
- **"Board of Directors"** or **"Board"** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013).
- **"Policy"** means Risk Management Policy.

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.

Legal Framework

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improve the governance practices across the business activities of any organisation. The new Companies Act, 2013 and the Clause 49 of the Equity Listing Agreement have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

Key compliance requirements

- Section 134: The board of directors report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company
- Section 177: The 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
- Schedule IV: Independent directors should satisfy themselves that systems of risk management are robust and defensible

Risk Management Framework

The Company believes that the Risk cannot be eliminated. However, it can be:

- Shared, by following a middle path between retaining and transferring risk;
- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Reduced, by having good internal controls; and
- Avoided, by not entering into risky businesses;

Risk Management therefore, ensures that management has in place a process to set objectives and that the chosen objectives support and align with the Company's mission.

Risk Management Policy

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the corporate environment.

The Risk Management Policy of the company shall primarily focus on identifying, assessing and managing risk in the following areas:

- Company Assets and Property
- Employees
- Operational Risk
- Non-compliance of Statutory enactments
- Competition Risk

Risk Profile

The Company considers that any risk that could have a material impact on its business should be included in its risk profile. The risk profile of the Company can be categorised as follows:

- Market-related
- Financial Reporting
- Operational
- Occupational Health & Safety
- Strategic
- Ethical Conduct
- Economic Cycle / Marketing
- Reputation
- Legal and compliance

Review

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

Amendment

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

Continuous Improvement

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.