Ruchira Papers Limited

Risk Management Policy

(Adopted by the Board of Directors on 22.05.2017)

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1. Overview

1.1 Introduction

The Company 'Ruchira Papers Limited' ('hereinafter referred to as the 'Company' or 'Ruchira') is a leading professionally managed Company in Paper Industry. The Company was incorporated on December 8, 1980 as a Public Limited Company under the Companies Act, 1956. The Company came into production in 1983. The Works and Registered office of the Company is located at Kala-Amb, District Sirmaur in Himachal Pradesh. The Company has two units; one is Kraft Paper Unit and second is Writing and Printing Paper Unit. 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 Writing & Printing 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.

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 of 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.

1.2 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 Ruchira are to:

- Better understanding of 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.

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 Ruchira comprises essentially of the following 2 elements:

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

2.1 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:

    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.

    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.

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.

2.2 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:

§ Provide direction and evaluate the operation of the Risk Management programme; And;

§ Review quarterly and annual risk assessments prepared by the Executive Management.

- Assurance: Internal Auditor (IA) is entrusted with the responsibility to review and provide independent assurance on overall effectiveness and efficiency of the Risk Management process. While all risks cannot be audited, Corporate Internal Audit, External Audit, Environmental Health & Safety, Insurance or any other function(s) entrusted by the Audit Committee may provide independent assurance on the effectiveness of defined risk mitigation strategies for certain areas. In addition, these functions through their regular audit/ fieldwork at various levels might identify additional risks, which will serve as an input for the subsequent risk identification and definition process.

The Combination of policies, processes/systems as outlined above adequetly 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.

Various Risks associated with the Company:

Raw Material Risks: It relates to the availability of Raw Material at a particular time for the Company. This is the major risk associated with the Company.

Quality Risk: After the availability of raw material, the quality of the raw material is also the risk factor for the company.

Technological Risk: It relates to the technology upgradation from time to time.

Competition Risk: This risk is associated with the every kind of business unit.

Cost Risk: The increase in the cost of the production is the risk associated with the Company. This risk becomes harmful when company fails to pass it on to the Customers.

Financial Risk: the availability of finance at a nominal rate is the risk associated with the Company. However this risk becomes major when the Company is going through its modification or additional enhancement.

Foreign Exchange Risk: This risk relates to fluctuation of foreign exchange rates. This risk has more impact on the units which are 100% Export oriented units or major export units or importing the major raw material.

Realization Risk: The realization of sales proceeds whether domestic/export is the risk that has impact on the business.

Fire Risk: Fire Risk has the biggest impact on the paper industry.

Human Resource Risk: This risk relates to retention of good talent with the organization.

Legal/Regulatory Risks: These types of risks relates to changes of Govt. policies and regulations with respect to business from time to time.