

RAMKRISHNA FORGINGS LIMITED

RISK MANAGEMENT POLICY & MANUAL.

Version: 01

EFFECTIVE FROM 1ST OCTOBER, 2021

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. DEFINITIONS & INTERPRETATIONS

"Appropriate Committee" shall mean the Risk Management Committee and/or Audit Committee.

"Board of Directors" or **"Board"** in relation to a Company, means the collective Body of Directors of the Company constituted in accordance with the provisions of section 2(10) of the Act, read with the regulation 2(1)(d) of the SEBI LODR.

"Company" means Ramkrishna Forgings Limited

"Policy" means a written Risk Management Policy framed by the Board of Directors.

"Risk" is an event or a probability of an event, which can prevent, hinder, or otherwise obstruct the Company in value creation and achieving its objectives or erode the existing value of the Company.

“Risk Management” Risk management is the process of identifying, evaluating and countering risks with the objective to minimize potential loss. It is the dedicated management of business risk to contain its impact. This dedicated management comprises formulation, policy, initiatives, prudential norms, structured reporting, and control to estimate, quantify and counter risk in an institutionalized manner.

“Risk Management Committee” or **“RMC”** is a Committee constituted in accordance with the provisions of Regulation 21 of SEBI (LODR) Regulations, 2021 and other applicable laws.

“Senior Management” wherever used in this Policy shall mean personnel of the Company who are members of the core management team excluding Board of Directors, comprising all members of management one level below the executive directors, including the functional heads.

3. INTRODUCTION

Ramkrishna Forgings Limited (the “Company”) is engaged in the manufacture, supply and distribution of forgings in India and for export. The business activities of the Company carry various internal and external risks.

The Company considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company’s ability to identify and address risk is central to achieving its corporate objectives.

The Company’s Risk Management Policy (“the Policy”) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

i. The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as “Committee”) who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day to day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the responsibility for overseeing all risks.

4. RISK MANAGEMENT COMMITTEE

All top 1000 companies based on market capitalization as on 31st March, 2021 are required to constitute a Risk Management Committee with effect from 5th May, 2021.

The Risk Management Committee shall have minimum three members with majority of

them being members of the board of directors, including at least one independent director.

The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

The risk management committee shall meet at least twice in every financial year.

The quorum for a meeting shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

The meetings shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit which shall specifically cover cyber security.

In compliance of the provisions of Listing Regulations and applicable provisions of the Companies Act, 2013 and rules made thereunder, the Board at its meeting held on **26th July, 2021** has constituted Risk management Committee.

5. 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 minimising 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 periodically 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.

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

6. RISK MANAGEMENT PROGRAM

The Company's risk management comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor, report and manage its business risk, including any material changes to its risk profile.

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

External Risk Factors

- Economic Environment and Market condition
- Climate & Environmental needs
- Competition
- Revenue Concentration and liquidity aspects
- Technology Evolution

- Fluctuations in Foreign Exchange –

The Company is engaged in exports of its own products to various countries. The Company is thus exposed to foreign exchange fluctuations.

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
- Logistics & Supply Chain
- Obsolescence of components & spares
- Health Safety
- Business Contunity & Cyber Security

The Committee may determine such other internal and external risk including the ESG related risk for the Company.

7. THE RISK MANAGEMENT POLICY

“RKFL is committed to ensure that all risk exposures of the company and

associated uncertainties are anticipated, identified, assessed, quantified, appropriately mitigated, residual risks minimised and managed through a risk intelligent culture in the company, establishing and implementing a robust risk management process and framework in line with appropriate regulations, routinely reviewed to successfully achieve the company's short / long term business plans and sustained growth.

This policy applies to all areas of company operation and all employees are to take responsibility”.

8. OVERSIGHT AND MANAGEMENT

Board of Directors

The Board of Directors (“the Board”) is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committees and Senior Management. The Committees or Management may also refer particular issues to the Board for final consideration and direction.

Risk Management Committee ('RMC')

The RMC shall be responsible for managing, minimizing, and monitoring all risks including cyber security risk as identified by the Board of Directors. The role of the RMC shall include:

- i. identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability, (particularly ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
- ii. measures for risk mitigation including systems and processes for internal control of identified risks.
- iii. business continuity plan.
- iv. to ensure that appropriate methodology, processes, and systems are in place to monitor and evaluate risks associated with the business of the Company;
- v. to monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- vi. to periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- vii. to keep the board of directors informed about the nature and content of its discussions, recommendations, and actions to be taken;
- viii. to assist the Board with regard to the identification, evaluation, classification, and mitigation of non-financial risks and assess management actions to mitigate risks including cyber security risk;
- ix. to evaluate and ensure that the Company has an effective system internal control systems to enable identifying, mitigating, and monitoring of the non-financial risks to the business of the Company;

- x. providing management and employees with the necessary tools and resources to identify and manage risks;
- xi. ensuring compliance with regulatory requirements and best practices with respect to risk management.
- xii. the appointment, removal, and terms of remuneration of the Chief Risk Officer ("CRO") shall be subject to review by the Risk Management Committee. The CRO will be responsible for the smooth implementation and execution of the policy

Senior Management

The role of the senior management on risk management shall include:

- i. to act on the instructions of the RMC;
- ii. periodically submit progress report to the RMC w.r.t Risk

Management Plan to implement the suggestions/remarks/comments of the Board of Directors through the RMC in the Risk Management Plan.

Employees

All employees are responsible for implementing, managing and monitoring action plans with respect to business risks, as appropriate.

Review of Risk Management Program

The Company should regularly evaluate the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood. The CRO will be engaged to monitor this process and be the convenor of the risk management committee.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees responsible for its implementation.

9. RISK MANAGEMENT SYSTEM

The Company should have a system-based approach to business risk management. Backed by strong internal control systems, the risk management framework should consist of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- Appropriate structures to effectively address inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit Function at the corporate level to carry out risk

focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Audit Committee reviews internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The Senior Management of the Company should periodically review the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

10. REPORTING

The Senior Management shall be responsible for the implementation of the Risk Management Systems and their effectiveness and adequacy, as may be applicable to their respective functional areas and shall report to the Appropriate Committee as may be required.

The Appropriate Committee shall, from time to time report to the Board, the need for review of this Policy including the effectiveness and adequacy of the Risk Management Systems of the Company.

11. REVIEW & AMENDMENT

This Policy shall be reviewed by the Appropriate Committee or any of the committee as may be authorized by the Board of Directors on such intervals as may be necessary for smooth and robust business operations of the Company. The suggestions of the Appropriate Committee shall be placed before the Board for confirmation and modification of the Policy. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

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