



C. MAHENDRA EXPORTS LTD.

Risk Management Policy

LEGAL FRAMEWORK

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

OBJECTIVE & PURPOSE OF POLICY

The main objective of this policy is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

TYPES OF OPERATIONAL RISK RELEVANT TO US

Operational risk event types having the potential to result in substantial losses include:

- ❖ Internal fraud. For example, intentional misreporting of positions, employee theft, and insider trading on an employee’s own account.
- ❖ External fraud. For example, robbery, forgery, cheque kiting, and damage from computer hacking.
- ❖ Employment practices and workplace safety.

- ❖ Clients, products and business practices. For example, fiduciary breaches, misuse of confidential customer information, improper trading activities on the Bank's account, money laundering, and sale of unauthorised products.
- ❖ Damage to physical assets. For example, terrorism, vandalism, earthquakes, fires and floods.
- ❖ Business disruption and system failures. For example, hardware and software failures, telecommunication problems, and utility outages.
- ❖ Execution, delivery and process management. For example, data entry errors, collateral management failures, incomplete legal documentation, unapproved access given to client accounts, non-client counterparty misperformance, and vendor disputes.

BACK GROUND AND IMPLEMENTATION

The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks. This policy is in compliance with the amended Clause 49 of the Listing Agreement (w.e.f 1st October 2014) which requires the Company to lay down procedure for risk assessment and procedure for risk minimization.

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

DISCLOSURE IN BOARD'S REPORT

Board of Directors shall include 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.

RESPONSIBILITIES

The Board of Directors shall be aware of the major aspects of the Company's operational risks as a distinct risk category that should be managed, and it shall approve and periodically review this framework. It shall ensure that the Company's operational risk management framework is subject to effective and comprehensive internal audit, as mentioned in the Key Processes below.

Senior Management shall have responsibility for implementing the operational risk management framework approved by the Board of Directors. The framework should be consistently implemented throughout the Company, and all levels of staff shall understand their responsibilities with respect to operational risk management. Senior Management shall also ensure that the necessary policies, processes and procedures for managing operational risk in all of the Company's material products, activities, processes and systems are in place.

Compliance and Operational Risk Management Office shall have responsibility according to its Charter, approved by the BoD.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

Risk Management Committee shall be constituted by the company consisting of such number of directors (executive or non-executive) as the Company thinks fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

APPLICATION

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

REVIEW

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of organization.