ASHIMA LIMITED

RISK MANAGEMENT POLICY

INTRODUCTION:

The Company operates in the textile industry and is in the business of manufacturing and sale of denim fabrics and high value yarn dyed cotton fabrics. There are various internal and external risks in carrying out business activities of the Company.

The Company has formulated this Risk Management policy in accordance with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors of **ASHIMA LIMITED ('the Company')** has adopted the following policy and procedures with regard to Risk Management. The Board may review and amend /modify this policy from time to time or at a duration as may be deemed fit by it. The Board of Directors are empowered to amend this policy in whole or in part, at any time consistent with requirements of applicable laws, rules and regulations.

1. RISK AND RISK MANAGEMENT

Risk as defined by the Oxford dictionary is a chance or possibility of danger, loss, injury or other adverse consequences. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. The common risks inter alia are; Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

Risk management is a continuous process across the organization designed to identify, assess and frame a response to threats that affect the achievement of its objectives. It enables management to prepare for risks before they devolve to improve the operational effectiveness.

Risk management, by and large involves reviewing the operations of the organization, followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

2. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance principles which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and SEBI (Disclosure Obligations & Requirements) Regulations, 2015 have also incorporated certain provisions in relation to Risk Management.

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)(vii) 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 of Directors which shall inter-alia include evaluation of risk management systems. In line with the above requirements, it is therefore necessary for the Company to frame and adopt a "Risk Management Policy" (this Policy).

Schedule IV to the Companies Act, 2013 require Independent Directors to satisfy themselves that the systems of risk management are robust and defensible. SEBI (Disclosure Obligations & Requirements) Regulations, 2015 also require the Board to ensure that appropriate systems of control are in place, in particular systems for risk management.

In the light of aforesaid provisions, the Company has put in place a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimize their adverse impact on the organisation.

OBJECTIVES:

a. To establish a framework for the company's risk management process and to ensure its implementation.
b. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
c. To create and protect stakeholder value by minimizing threats or losses, and identify and maximize opportunities.
d. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
e. To assure business growth with financial stability.

3. RISK FACTORS

The objectives of this Policy are subject to both external and internal risks which are enumerated below:-

❖ **Internal Risk Factors**

- Operational Efficiency
- Quality Assurance
- Environmental Management
- Human Resource Management
- Contractual Compliance
- Project Execution

❖ **External Risk Factors**

- Competition
- Inflation and Cost Structure
- Technological Obsolescence
- Economic Environment and Market Conditions
- Foreign Exchange Fluctuations
- Political Environment
- Disaster Risks

4. RISK MANAGEMENT FRAMEWORK

Generally, every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

All the Senior Executives under the guidance of the Managing Director has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risks. In doing so, the Senior Executives consider and assess the appropriateness and effectiveness of management information and other systems of internal control.

The internal audit function will support Company risk management through review of risk management practices and procedures to provide assurance on their efficiency. Internal Audit would audit the adherence to control systems, and their effectiveness and also flag off any new risks that may emerge during the internal audit reviews.

The Audit Committee of the Board shall evaluate the risk management systems and the Board has total responsibility for total process of risk management in the organisation which includes framing, implementing and monitoring risk management plan.

The success of the Risk Management Framework depends on the efforts taken to mitigate/ reduce either the probability or consequence of the risk/ threat. The Risk Management Framework of the Company includes three key elements:

- Risk Identification and Assessment
    - Risk identification requires complete information of the organization, the economic & market conditions and external environment.
    - Potential events that may affect the achievement of objectives are identified from internal or from external sources.
    - The Company is exposed to different types of risks that can be classified into various categories based on their nature, impact, source of their origin and core aspects.
    - Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed effectively.
    - Risk Assessment consists of a detailed study of potential threats and vulnerability and resultant exposure to various risks & its constituents.

- Risk Mitigation
    - Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures.
    - Risk Mitigation includes transfer, sharing, avoidance and reduction of risks.
    - The Company believes that this would ensure mitigating risks proactively and help to achieve stated objectives.
    - The Company adopts a systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations.

- Risk Management and Risk Monitoring
    - Risk Management and Risk Monitoring are important in recognizing and controlling risks. The probability of risk assumption is estimated with available data and information.

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