LAWRESHWAR POLYMERS LIMITED

RISK MANAGEMENT POLICY

A-243 (A), Road No. 6, V. K. I. Area, Jaipur – 302013

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(I)LEGAL FRAMEWORK

SEBI, vide its circular ref. no. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 has advised the Stock Exchanges that the Companies should have a prudent system of risk management to protect themselves from any default.

In view of the above, Lawreshwar Polymers Ltd as a Company, has adopted the following system of risk management:

The Risk Management Policy has been framed for the benefit of our stakeholder to minimize the risk of loss. As our valued stakeholder, we are committed to protect you from various kinds of risks involved related to investments in our company. This policy should be seen as a measure towards risk containment and not as an insurance against losses.

(II) INTRODUCTION

Oxford Dictionary defines the term "**risk**" *as a chance or possibility of danger, loss, injury or other adverse consequences*

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.

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***

(II) (C) Risk Management

i). The Board, its Audit Committee and its executive management should collectively identify the risks impacting the company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.

ii). The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen once every six months by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the company.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organisation.

(III)Policy Objectives

To confirm and communicate the Company’s commitment to risk management to assist in achieving its strategic and operational goals and objectives

To formalise and communicate a consistent approach to managing risk for all Company activities and to establish a reporting protocol

To ensure that all significant risks to the Company are identified, assessed and where necessary treated and reported to the Board in a timely manner through the Risk Management Committee.

To assign accountability to all personnel for the management of risks within their areas of control

To provide a commitment to personnel that risk management is a core management capability.

(IV)Risk Strategy

Recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner

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

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

The Company's business comprises:

- Engineering, Procurement
- Manufacturing
    - EVA Footwear
    - PU Sole Footwear
    - Canvas Footwear
    - Hawai Chappals
- Export

(V)Strategic Risk – Major Threats

A source of threat that may give rise to significant strategic risk includes:

- Budgeting (relates to availability or allocation of resources)
- Fraud or Theft
- Unethical dealings
- Product and or services failure (resulting in lack of support to business process)
- Public perception and reputation
- Exploitation of workers and or suppliers (availability and retention of suitable staff)
- Environmental (mismanagement issues relating to fuel consumption, pollution etc)
- Occupational health and safety mismanagement and or liability
- Failure to comply with legal and regulatory obligations and or contractual aspect (can you sue or be sued)
- Civil Action
- Failure of the infrastructure (including utility supplies, computer networks etc)
- Failure to address economic factors (such as interest rates, inflation)

- Political and market factors (for management of risk, security etc)
- Operational procedures – adequate and appropriate
- Capability to innovate (to exploit opportunities)
- Failure to control intellectual property (as a result of abuse or industrial espionage)
- Failure to take account of widespread disease or illness among the workforce
- Failure to complete to published deadlines or timescales
- Failure to take on new technology where appropriate to achieve objectives
- Failure to invest appropriately
- Failure to control IT effectively
- Failure to establish a positive culture following business change
- Vulnerability of resources (material and people)
- Failure to establish effective continuity arrangements in the event of disaster
- Inadequate insurance/contingency provision for disasters such as fire, floods and bomb incidents.

Strategic/Commercial Risks

Examples of commercial risks includes

- Under performance of service relative to specification
- Management will underperform against expectations
- Collapse of contractors
- Insolvency of promoter
- Failure of suppliers to meet contractual commitments (this could be in terms of quality, quantity, and timescales on their own exposures to risk)
- Insufficient capital investment, shortfall in revenue expected / planned
- Fraud/Theft
- Partnerships failing to deliver desired outcome
- An event being non insurable or cost of insurance outweighs the benefit

Economical/Financial/Market

- Exchange rate fluctuation
- Interest rate instability
- Inflation

- Shortage of working capital
- Failure to meet project revenue targets
- Market developments will adversely affect plans

Legal and Regulatory

- New or changed legislation may invalidate assumptions upon which the activity is based
- Failure to obtain appropriate approval (e.g. planning consent)
- Unforeseen inclusion or contingent liabilities
- Loss of intellectual property rights
- Failure to achieve satisfactory contractual arrangements
- Unexpected regulatory controls of licensing requirements
- Changes in tax structure

Organisation/Management/Human Factors

- Management incompetence
- Inadequate corporate policies
- Inadequate adoption of management practices
- Poor leadership
- Key personnel have inadequate authority to fulfil roles
- Poor staff selection procedures
- Lack of clarity over roles and responsibilities
- Vested interest creating conflict and compromising the overall aims
- Individual or group interests given unwarranted priority
- Personality clashes
- Indecisions or inaccurate information
- Health and safety constraints

Political

- Change of government policy
- Change of government
- War and disorder
- Adverse public opinion/media intervention

Environmental

- Natural disasters

- Storms, flooding
- Pollution incidents
- Transport problems

Technical/Operational/Infrastructure

- Inadequate design
- Professional negligence
- Human error/incompetence
- Infrastructure failure
- Operation lifetime lower than expected
- Increased dismantling/decommissioning costs
- Safety being compromised
- Performance failure
- Residual maintenance problems
- Unclear expectations
- Breaches in statutory/information security
- Lack or inadequacy of business continuity

Operational Risks

- Lack of clarity of service requirements
- Inadequate infrastructure to provide required operational services
- Inadequate or inappropriate people available to support the required service provision
- Inappropriate contract in place and or inadequate contract management to support the required level of service provision
- Changing requirements, enabled in an uncontrolled way
- Products passed to operational teams without due consideration to implementation, handover, subsequent maintenance and decommissioning
- Unexpected or inappropriate expectations of service users
- Inadequate incident handling
- Lack or inadequacy of business continuity or contingency measures with regard to maintaining critical business services
- Failing to meet legal or contractual obligations

(VI)Risk Management Committee

Aim

The Board of Directors has ultimate responsibility for risk oversight and risk management. As a sub-committee of the Board, the Risk Management Committee (RMC) is responsible to the Board for:

(a) Leading the Group's strategic direction in the management of material business risks;

(b) Oversight of the establishment and implementation of a risk management framework; and

(c) Reviewing the effectiveness of that risk management framework in identifying and managing risks and Controlling internal processes.

The objectives of the framework are to ensure the provision of safe, quality services and direct the culture, processes and reporting structures in all Lawreshwar Polymers Ltd facilities and throughout the corporate group to take advantage of opportunities while managing and monitoring risks that may adversely affect Lawreshwar Polymers Ltd achievement of its business objectives.

Goals

To encourage a culture based on the Lehar's principles that foster continuous improvement and the minimisation of the impact of economic and personal risk within the Group.

To ensure policies are established and adopted for the oversight and management of "material business risks" (including but not limited to operational, financial, clinical, sustainability, compliance, strategic, ethical, reputational, service quality, human resource, industry, legislative or regulatory and market-related risks)

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.

Application

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

Composition

The Committee will comprise following members: Chairman, Managing Director & Executive Director and Secretary of the committee will be secretary of the company. Other members of the Lawreshwar Polymers Ltd senior management team may attend meetings of the RMC by invitation.

Removal or resignation

If a member of the Committee retires, is removed, or resigns from their position within the Company, that member ceases to be a member of the Committee. The Board may appoint a successor.

Meetings

Periodicity: The Committee meets from time to time as necessary to accomplish its purpose and duties.

Calling meetings & notice

A notice of each meeting confirming the date, time, venue and agenda must be forwarded to each member of the Committee three working days before the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.

Minutes

Minutes of proceedings and resolutions of Committee meetings will be kept by the secretary.

Risk Management Process

1. **Identifying and evaluating exposures** -- The Committee's responsibilities are not unlike the duties of a professional risk manager, and typically begin with the process of identifying and measuring the risks facing a company. The Committee's work

generally begins with a brainstorming session in which the members discuss "what could go wrong" as well as the likelihood of each identified harm occurring. After the potential risks have been identified, the Committee then evaluates the risk based on the probability that the risk event will occur and the potential loss associated with the event.

2. **Developing risk management strategies** –

The Committee's job continues with the identification of practical, affordable loss control strategies that will reduce the likelihood of harm occurring or minimize losses if the risk should materialize. The committee will use its broad experience and differing perspectives in making risk management strategies with senior executive and staff serving on the committee. There is greater assurance that the committee's recommendations will be practical and widely accepted by the board.

3. **Implementing the risk management plan** –

The Committee's work continues with the development of a plan which outlines the major risks facing or will face by the company and the strategies that will be used to address these risks. In addition, the plan should detail how various assignments and responsibilities will be handled, and the names or roles of those who will be responsible for implementing each facet of the plan. The plan should include information on the financing programs arranged, including coverage's purchased, renewal dates, and claims

4. **Monitoring and updating the plan as needed** –

In some respects, the Committee' work is never finished. Managing risks requires an ongoing commitment to revisiting strategies, looking for emerging or changing exposures, and staying abreast of developments which impact the likelihood of harm. The activities and programs of the committee vary considerable from year to year. The Risk Management Committee looks at how these changes impact risk (for example, does the addition of a new service add a professional liability exposure?). In addition to updating the plan, the Committee should update the board on a regular basis with respect to its findings and efforts.

Other responsibilities of the Committee will be :

• Oversee and approve the risk management, internal compliance and control policies and procedures of the Company.

• Oversee the design and implementation of the risk management and internal control systems (including reporting and internal audit systems), in conjunction with existing business processes and systems, to manage the Company's material business risks.

• Set reporting guidelines for management to report to the RMC on the effectiveness of the Company's management of its material business, health and safety risks and disclose to the Board the content of management reports.

• Establish policies for the monitoring and evaluation of risk management systems to assess the effectiveness of those systems in minimising risks that may impact adversely on the business objectives of the Company.

• Establish policies to monitor and evaluate risk management systems that identify and manage health and safety risks to maintain the well being of all employees, visiting medical practitioners, patients, contractors and visitors.

• Oversight of internal systems to evaluate compliance with corporate policies and to assess whether such policies can be expected to assist the Group to provide consistent, quality, safe and efficient healthcare services and workplace standards.

• Approve policies for monitoring and evaluating the effectiveness of a Visiting Medical Practitioner and Allied Health Professional accreditation / credentialing system throughout the corporate group that meets contemporary national and international clinical governance standards.

• Oversight of management in the implementation of the accreditation program for all Lawreshwar Polymer Ltd facilities, also that all facilities achieve and maintain appropriate Accreditation status. As part of this process, identify and develop policies to address any potential risks to any facility maintaining appropriate accreditation.

• Oversight of management in the monitoring and evaluation of continuous quality improvement systems that are designed to improve performance in the delivery of healthcare services.

• Approve policies to inform all employees, visiting medical practitioners, patients and contractors of their rights and responsibilities consistent with the risk management framework generally and specific material business risks identified from time to time, through readily available information at corporate and facility levels.

• Provide guidance to the Board on making the Company's risk management policies and procedures publicly available and, if appropriate, liaise with the General Counsel/Company Secretary and/or the Disclosure Committee on announcements to the market where material business risks or changes to those risks are likely to have a material impact on the price or value of the Company's securities.

• Approve and update as necessary a summary of the Company's policies on risk oversight and management of material business risks, to be made publicly available.

• Contribute to the corporate governance statement in the Company's annual report, as appropriate given RMC policies, reports and results in the reporting period.

(VII)COMPANY'S POWERS

The Company is entitled to amend, suspend or rescind this policy at any time. Whilst, the Company has made best efforts to define detailed procedures for implementation of this policy, there may be occasions when certain matters are not addressed or there may be ambiguity in the procedures. Such difficulties or ambiguities will be resolved in line with the broad intent of the policy. The Company may also establish further rules and procedures, from time to time, to give effect to the intent of this policy and further the objective of good corporate governance

Naresh Agarwal

(Executive Director)

DIN No. 00106649