RISK MANAGEMENT POLICY

BACKGROUND

This document lays down the framework of Risk Management at Standard Shoe Sole and Mould (India) Limited (hereinafter referred to as the 'Company') and defines the policy for the same. The document shall be under the authority of the Board of Directors of the Company.

The policy establishes the process for the management of risks faced by the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks. These include risks to employees and volunteers, liability to others, and risks to property etc. however this policy does not detail consumer risk management.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the organization provides, the safety of the workplace and other benefits, all depend to an extent on our ability to control risks.

Risk Management Policy has been framed as per the regulatory requirements of Section 134, 149, 177 and Schedule IV of Companies Act, 2013 as well as Clause 49 of Listing Agreement.

APPLICABILITY AND SCOPE

The policy applies to all activities and processes associated with the normal operation of the Company. It is the responsibility of all Board members, staff, trainees and volunteers to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority. Each is responsible for reporting any unsafe conditions they notice. Also, each is encouraged to suggest ways in which we can operate more safely.

The Board of Directors of the Company and the Audit Committee of Directors shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network and Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee.

Standard Shoe Sole and Mould India Limited

Risk Management Policy

OBJECTIVE

The objective of Risk Management Policy is to create and protect shareholder value, ensure sustainable business growth with stability and promote a pro-active approach in reporting, evaluating and resolving risks associated with Company by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

The specific objectives of the Risk Management Policy are

1. Providing a framework that enables future activities to take place in a consistent and controlled manner whereby all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed
2. To establish a framework for the company's risk management process and to ensure companywide implementation
3. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats
4. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices
5. Contributing towards more efficient use/ allocation of the resources within the organization
6. Protecting and enhancing assets and company image
7. Reducing volatility in various areas of the business
8. Developing and supporting people and knowledge base of the organization.
9. Optimizing operational efficiency
10. To assure business growth with financial stability.

PRINCIPLES

1. All business decisions will be made with the prior information and acceptance of risk involved
2. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses
3. All employees of the company shall be made aware of risks in their respective domains and their mitigation measures

4. The risk mitigation measures adopted by the company shall be effective in the long-term and to the extent possible be embedded in the business processes of the company
5. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in company's strategy
6. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

DEFINITIONS

1. **Risk** is the likelihood that a harmful consequence (loss, death, injury or illness) might result when exposed to a hazard.

   Risk is characterized and rated by considering two characteristics:

   a. Probability or likelihood (L) of occurrence; and
   b. Consequence (C) of occurrence.

   This is expressed as R (risk) = L (likelihood) x C (consequence).
2. **Likelihood** is a qualitative description of probability or frequency.
3. **Consequence** is the outcome of an event, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.
4. **Risk Assessment** is the process of analyzing, evaluating and comparing the level of risk against predetermined acceptable levels of risk.
5. **Risk Estimation** is the process of quantification of risks.
6. **Risk Strategy** defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the company.
7. **Risk Owner** is the person(s) responsible for managing risks and is usually the person directly responsible for the strategy, activity or function that relates to the risk.
8. **Risk Management** is the application of a management system to risk and includes identification, analysis, treatment and monitoring.
9. **Risk Control** means taking action to first eliminate health and safety risks so far as is reasonably practicable, and if that is not possible, minimising the risks so far as is reasonably practicable. Eliminating a hazard will also eliminate any risks associated with that hazard
10. **Risk Mitigation** is an exercise aiming to reduce the loss or injury arising out of various risk exposures

11. **Risk and Audit Committee or Committee** means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing agreement.
12. **Board of Directors or Board** in relation to the Company means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)
13. **Policy** means Risk Management Policy.

POLICY

1. Functions & Delegations

A person can have more than one duty and more than one person can have the same duty at the same time.

Organization Level	Responsibility
Board of Directors	➢ Exercise due diligence to ensure that Company complies with the applicable Act and Regulations. ➢ Take reasonable steps to: gain an understanding of the hazards and risks associated with the operations of Company, ensure that Company has and uses appropriate resources and define/undertake process to eliminate or minimize risks. ➢ Responsible for framing, implementing and monitoring the risk management plan for the Company
Management	➢ Ensure, so far as is reasonably practicable, that workers and other persons are not put at risk from work carried out by Company. ➢ Ensure that the directions/ guidelines set by the Board are complied with and implemented at all levels ➢ Report the matters/likelihood of risks or new risks or changes in exiting risk profile, to the Board of Directors
Employees	➢ Compliance with Risk Management Policy ➢ Report matters of non compliance to the Management ➢ Contribute to the establishment and implementation of risk management systems for all functions and activities of Company

2. Process

The process of Risk Managemnt shall cover the following:

a) Risk Identification & Categorization: find out what could cause harm. The process of identifying the company's exposure to uncertainty classified as Strategic / Business / Operational.

b) Risk Description: the method of systematically capturing and recording the company's identified risks in a structured format

c) Risk Estimation: the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach.

d) Monitor & Report: formal process to update the Board of Directors, the Audit Committee and the Risk Management Committee ('RMC') on the risk profile (new or changed) and effectiveness of implementation of control/mitigation plans. The Committee/Board may thereafter frame necessary policies and implement the same.

A. Risk Identification

It involves identification of relevant risks that can adversely affect the achievement of the objectives and involves considering the potential impact and likelihood of occurrence of the risk.

The Key characteristics by which risks can be identified are:

• Risks are adverse consequences of events or changed conditions
• Their occurrence may be identified by the happening of trigger events
• Their occurrence is uncertain and may have different extents of likelihood

Recognizing the kind of risks that company is/may be exposed to, risks will be classified broadly into the following categories:

1. Strategic Risk: include the range of external events and trends (like Government policy, competition, court rulings or a change in stakeholder requirements) that can adversely impact the company's strategic growth trajectory and destroy shareholder value.

2. Business Risk: include the risks associated specifically with the company and having an adverse impact on the company's capability to execute activities critical for business growth, thereby affecting its near-term performance.
3. Operational Risk: are those risks which are associated with operational uncertainties like unpredictable changes in markets, force majeure events like floods affecting operations, internal risks like attrition etc

B. Risk Description

A risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures. The suggested format is provided below:

1	Name of Risk	Short description by which the risk may be referred to
2	Scope of Risk	Qualitative description of the events by which the occurrence of the risk may be identified, any measurement indicating the size, type, number of the events and their related dependencies
3	Nature of Risk	Strategic/ Business/ Operational
4	Stakeholders	List of stakeholders affected and impact on their expectations
5	Quantification of Risk	Cost of impact if risk materializes and its significance & probability
6	Risk Tolerance	Loss potential and financial impact of risk on the business Value at Risk Probability of occurrence and size of potential losses Objective(s) for control of the risk and desired level of performance to assimilate Risk Trigger
7	Risk Treatment & Control Mechanisms	Primary means by which the risk is currently being managed Levels of confidence in existing control system Identification of protocols for monitoring and review of the process of treatment and control
8	Potential Action for Improvement	Recommendations to reduce the occurrence and/or quantum of adverse impact of the risk
9	Strategy and Policy Developments	Identification of function responsible for developing the strategy and policy for monitoring, control and mitigation of the risk

C. Risk Estimation

In this process, the consequences of the risk occurrences have to be quantified to the maximum extent possible, using quantitative, semi-quantitative or qualitative techniques.

Process of risk quantification for the company has to be qualitative, supported by quantitative impact analysis. To apply this approach, the chain of adverse consequences, which may occur in case the identified risk materializes, should be enlisted. For each of the chains of adverse consequences, the cost impact needs to be calculated and attributed to the particular risk. In such an exercise, actual cost impacts (like claims by contractor, loss of equipment value, etc) as well as opportunity costs (like loss in realisation of revenue, delay in commission of project etc) must be captured to arrive at the total cost impact of materialisation of the risk. According to the adverse impact analysis for identified risks, an appropriate risk rating shall be determined for each risk identified.

D. Monitor & Report

Internal Reporting

a) Risk and Audit Committee

b) Board of Directors

c) Vertical Heads

d) Individuals

External reporting: To communicate to the stakeholders on regular basis as part of Corporate Governance

The Board has constituted a Risk Management Committee consisting of three (3) Independent Directors, and defined the Committee's role and responsibility. The Committee will be the key group which will work on an ongoing basis within the risk framework outlined in this policy to mitigate the risks to the Company's business as it may evolve over time. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of the Risk Management Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses the Company is engaged in or shall undertake. Risk Management Committee shall critically examine the report of departments and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal for its control and/or mitigation.

The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the personnel for implementation.

AMENDMENT S TO POLICY

1. The Risk Mangement Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company. Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time.
2. The Board of Directors on its own and / or as per the recommendations of Risk Mangement Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.
3. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

PENALTIES

The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Act as well as SEBI Act which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

GENERAL

The decision of the Board of Directors of the Company with regard to any or all matters relating to this policy shall be final and binding on all concerned. The Board of Directors of the Company shall have the power to modify, amend or replace this policy in part or full as may be thought fit from time to time in their absolute discretion.