

BALKRISHNA PAPER MILLS LIMITED

CIN-L21098MH2013PLC244963

RISK MANAGEMENT POLICY

[In Accordance with regulation 17 and 21 of SEBI (Listing Obligations and Disclosure Requirement, 2015)]

[As approved by the Board of Director on July 17, 2020]

BALKRISHNA PAPER MILLS LIMITED

1. INTRODUCTION

Balkrishna Paper Mills Limited ('hereinafter referred to as the 'Company' or 'BPML') is a professionally managed Company in Paper Industry. It has a rich experience, an established brand name, a highly experienced, qualified and motivated management team with a high reputation for manufacturing high quality of Paper and Paper Board products. Its paper mills, located at Unit 1: (Paper/Paper Board & Coating Plant), Village: Ambivli, P.O.Mohone, Taluka - Kalyan, Dist. Thane - 421 102 and Unit 2: (Cutting & Packing Unit), Building No. F3 & F4, Bhiwandi Nashik Road, Village Dhamngaon, Taluka Bhiwandi, Dist. Thane - 421 102, produce various types of Paper Board. The company has an installed capacity to manufacture 1,26,000/- tons per annum (TPA).

The Company and its actions are increasingly exposed to greater scrutiny by the public, investors and its stake-holders. Accordingly, the Company has to contend with new business challenges, risks and demands for corporate governance.

A key factor for a Company's capacity to create sustainable value is the risks that the Company is willing to take (at strategic and operational levels) and its ability to manage them effectively. Ability to identify and manage risks promptly is also a critical aspect of corporate governance at any Company. Many risks exist in a Company's operating environment and continuously emerge on a day to day basis. Risk management does not aim at eliminating them, as that would simultaneously eliminate all chances of rewards/opportunities. Risk Management is instead focused at ensuring that these risks are known and addressed through a pragmatic and effective risk management process.

2. 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 organization. The Companies Act, 2013 and SEBI (LODR) Regulation, 2015 (Listing Regulation) 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 and further as per Regulation 17 of the SEBI (LODR) Regulations, the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.



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 which shall inter alia include evaluation of internal financial control and risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" (this Policy) of the Company.

3. OBJECTIVE

The objective of the Risk Management Policy of the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. This Risk Management Policy is being applied in order to ensure that effective management of risks is an integral part of every employee's job. These include:

- (i) Contribute to safeguarding the company value and interest of various stakeholders
- (ii) Ensure that sound business opportunities are identified and pursued without exposing the business to an unacceptable level of risk
- (iii) Providing a framework, that enables future activities in a consistent and controlled manner;
- (iv) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
- (v) Contributing towards more efficient use/ allocation of the resources within the organization;
- (vi) Protecting and enhancing assets and company image;
- (vii) Reducing volatility in various areas of the business;
- (viii) Developing and supporting people and knowledge base of the organization;
- (xi) Optimizing operational efficiency.
- (ix) Improve compliance with good corporate governance guidelines and practices as well as laws & regulations.

4. APPLICABILITY

This Policy shall come into force with effect from July 18, 2020.

5. DEFINITION

In this Policy, unless the context otherwise requires:

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"Audit Committee or Committee" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations, 2015.

"Company" means "Balkrishna Paper Mills Limited, a Company constituted under the provisions of Companies Act, 2013.

"Board of Directors" or **"Board"** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013).

"Policy" means Risk Management Policy of the Company.

RISK MANAGEMENT

- (i) The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- (ii) The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- (iii) The company will also constitute a Risk Management Committee or other committee as it may deem fit. The Board shall define the roles and responsibilities 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.

6. RISK MANAGEMENT FRAMEWORK

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk management:

- 1. The Board's role to ensure framing, implementing and monitoring risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased approach during the Board's deliberations on making risk management systems very strong and effective.
- 2. The Audit Committee's role, is to evaluate the risk management systems.
- 3. This policy shall complement the other policies of Balkrishna Paper Mills Limited place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are being effectively mitigated.



7. BROAD PRINCIPLES

The Board is required to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal including environmental, business, operational, financial, and political and others. Communication of Risk Management Strategy to various levels of the management for effective implementation in the Company.

8. IDENTIFICATION AND RISK ANALYSIS

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the chairman and managing director and whole time directors of the Company along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Shri Anurag Poddar, Chairman and Managing Director of the Company through participation of the vertical/functional heads and a preliminary report shall be placed before the Risk Management Committee.

The following steps to be taken:

Risk identification: To identify organization's exposure to uncertainty, risks may be classified into five (5) categories viz:

1. Strategic; 2. Operational; 3. Financial; 4. Hazard; and 5. Political.

Risk Description:

To display the identified risks in a structured format.

Risk Evaluation:

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk be accepting or treating.

Risk Estimation:

It can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit — Both Threats and Opportunities

Reporting

- A. Internal Reporting
 - i. Risk Management Committee
 - ii. Board of Directors



- iii. Vertical Heads
- iv. Individuals

B. External Reporting

- i. To communicate to the stakeholders on regular basis as part of Corporate Governance.

Development of Action plan

The Board to constitute the proposed a Risk Management Committee consisting of the following members and defined the Committee's role and responsibility:-

Sr No.	Name of the Member	Designation
1.	Shri Anurag Poddar	Chairman
2.	Shri Ankit Poddar	Member
3.	Shri Shrutisheel Jhanwar	Member
4.	Shri Omprakash Singh	Secretary to the Committee

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 and their collective suggestions to the Board for periodic updation of the Risk Management Plan.

The Risk Management Committee shall critically examine the report of Shri Anurag Poddar, Chairman and Managing Director and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

Guidelines to deal with the risks

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales & Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

9. BOARD APPROVAL

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



The Board shall approve the risk management (including risk treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

10. RISK TREATMENT

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. viz.

- (i) Effective and efficient operations
- (ii) Effective Internal Controls
- (iii) Compliance with laws & regulations

Risk treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

11. RISK REGISTERS

Risk registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment and status after the treatment etc.

Risk Managers and Risk Officers to be identified for proper maintenance of the risk registers which will facilitate to report of the effectiveness of the risk treatment to the Risk Management Committee, Audit Committee and the Board.

The Board shall have the discretion to deal with certain risks (may be called key or highly sensitive risks) in the manner it may deem fit. Mitigation of such highly sensitive/key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

12. ROLE OF AUDIT COMMITTEE

The following shall serve as the role and responsibility of the Audit Committee authorized to evaluate the effectiveness of the risk management framework:

- i. Evaluation of internal financial controls and risk management systems;
- ii. Review of the strategy for implementing risk management policy
- iii. To examine the organization structure relating to Risk management;
- iv. Evaluate the efficacy of Risk Management Systems - Recording and Reporting;



- v. To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines;
- vi. To define internal control measures to facilitate a smooth functioning of the risk management systems;
- vii. Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems

13. INTEGRATION OF RISK MANAGEMENT STRATEGY

The risk management strategy of the Company is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

14. PENALTIES

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

15. LIMITATIONS

The Risk Management Framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgments in decision-making and violations of legislation and regulations.

16. REVIEW

This policy shall evolve to review by the Risk Management Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

17. GENERAL

In case of any doubt with regard to any provision of the policy and in respect of matters not covered herein, a reference to be made to the Chairman of the Risk Management Committee. In all such matters the interpretation and decision of the Chairman of the Risk Management Committee shall be final.

In the event of any conflict between the provisions of the Policy and the applicable provisions of the Companies Act, 2013, the provisions of the Companies Act, 2013 shall prevail.



18.

AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.

**By Order of the Board
For Balkrishna Paper Mills Limited**



(Shrutisheel Jhanwar)
Whole-time Director & CFO
(DIN: 03582803)
Place: Mumbai.
Date : 17th July, 2020



(Anurag Poddar)
Chairman and Managing Director
(DIN:00599143)


