

JAKHARIA FABRIC LIMITED

RISK MANAGEMENT POLICY

PREAMBLE

In accordance with Section 134(3), a company is required to 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.

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the activities of Jakharia Fabric Limited. This document lays down the framework of Risk Management and defines the policy for the same. It seeks to identify risks inherent in business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

OBJECTIVE

The Company is prone to inherent business risks. The main objective of this policy is to create and protect shareholder value by minimizing threats or losses and identifying and maximizing opportunities and to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, this Policy is being applied in order to ensure that effective management of risks is an integral part of every employee’s job and establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues. The objectives of this policy include:

1. Providing a framework that enables future activities to take place in a consistent and controlled manner.
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
3. Contributing towards more efficient use/ allocation of the resources within the organization.
4. Protecting and enhancing assets and company image.
5. Reducing volatility in various areas of the business.
6. Developing and supporting people and knowledge base of the organization.

7. Optimizing operational efficiency.

DEFINITION

"**Audit Committee or Committee**" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and the Listing Agreement.

"**Company**" means Seven Islands Shipping Limited, a Company constituted under the provisions of Companies Act, 1956.

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

"**Listing Regulations or Regulations**" means Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

"**Policy**" means Risk Management Policy.

APPLICABILITY

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

REGULATORY FRAMEWORK

Risk Management Policy is framed as per the following regulatory requirements:

Listing Regulation:

1. Regulation 4(2)(ii): Key Functions of the Board

The Board should fulfill certain key functions, including:

- a) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
- b) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

2. Regulation 17: Board of Directors

- a) The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- b) The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- c) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

3. Regulation 18: Role of Audit Committee

The role of the Audit Committee shall include evaluation of internal financial controls and risk management systems.

Companies Act, 2013:

1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which 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.

2. Provisions of the Section 177(4)

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 controls and risk management systems.

3. Provisions of Section 149(8)

The independent directors

shall:

- a) Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct.

- b) Satisfy themselves on the integrity of financial information and that financial controls and **the systems of risk management** are robust and defensible.

IMPLEMENTATION

The Board of Directors 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.

Head of Departments/Senior Managerial personnel shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report during Internal Review Meeting any material risks and discrepancy arising in the system.

The Chairman of the Audit Committee shall be responsible to take such matters immediately to the Committee and Board in case of necessity otherwise shall report to the Board annually on the actions taken by them.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

Risk Management Committee shall be constituted by the Board, as and when required under the applicable statutes, consisting of such number of directors (executive or non-executive) as the Board 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.

ROLES AND ACCOUNTABILITIES

1. Senior Management Personnel

Risk Identification is obligatory on all departmental and functional heads who shall with the inputs from their team members are required to report the risks identified along with their considered views and recommendations for risk mitigation.

Therefore, the Senior Management Personnel of the company shall meeting at least once in every month and shall discuss in detail about working of Company in order to take proactive decisions. Such meeting shall be called **Internal Review Meeting** which shall be chaired by Chairman and Managing Director of the Company. In this meeting, the Senior Management Personnel shall apprise about operations vis-à-vis business

outlook/plan w.r.t their department during a month, shortcoming, and threat and shall suggest further course of action.

2. Audit Committee

The Committee will advise the Board on risk management and assist the Board to fulfill its risk management and oversight responsibilities.

3. Board of Directors

The Board shall review the performance and financial result of the Company in comparison with the budget approved by it considering the forecasted performance of the Company's business. The Board shall annually review the effectiveness of this policy and the risk management systems in place.

4. Internal Audit

Internal audit shall cover reviewing compliance with systems, procedures and internal controls. The internal audit report shall review adequacy and efficacy of existing internal controls in all areas including regulatory compliance, operations, chartering, purchase, human resource and management, administration, I.T., accounts and budgetary and to suggest measures to strengthen them further.

RISK MANAGEMENT FRAMEWORK

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified.

Efforts shall be taken to mitigate the risk identified during the Internal Review Meeting based on action plan approved by the Chairman and Managing Director of the Company. However, in case the risk identified is material in nature then the same shall be informed to the Audit Committee and Board for approving Action plan.

Material risk means the risk having effect of more than 10% of the estimated turnover of the Company during the financial year.

Through deliberations of the Audit 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. The Action Plan and guidelines decided by the Audit Committee shall be approved by the Board before communication to the personnel for implementation.

The guidelines shall include prescription on Risk Treatment. It shall consider prioritizing 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. for:

- a) Effective and efficient operations
- b) Effective Internal Controls
- c) Compliance with laws and regulations

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

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 others. Communication of Risk Management Strategy to various levels of the management for effective implementation is essential.

RISK IDENTIFICATION & ANALYSIS

Risk Identification is obligatory on all departmental 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 Chairman and Managing Director & CEO of the Company through participation of the departmental/functional heads of the Company.

The following steps to be taken:

1. Risk identification

To identify organization's exposure to uncertainty, risk may be classified in the following:

- a) Financial Performance Risks:
 - (i) Market Risk
 - Adverse financial impacts may be due to:

- ☐ Earnings volatility;
 - ☐ Cost volatility including fuel prices, interest rates and other operating costs;
 - ☐ Exchange rate volatility from the currencies we use.
- (ii) Vessel Investment & Deployment Risk
 - (iii) Credit Risk
 - (iv) Liquidity Risk
 - (v) Insurance Risk
 - (vi) Supplier Performance Risk
- b) Stakeholder Relationship Risks:
- (i) Customer Satisfaction & Reputation Risk
 - (ii) Banking Relationships Risk
 - (iii) Employee Engagement Risk
 - (iv) Government Policy, Regulation and Compliance Risk
 - (v) Investor Relations Risk
- c) Risks to Safety, Environment and Reliability:
- (i) Safety Risk
 - (ii) Environmental Risk
 - (iii) Vessels & Systems Risk

2. Risk Description & Analysis

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

Risks may be structured as follows for the purpose of their identification and evaluation:

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc
Nature of Risk	
Quantification of Risk	Significance & Probability
Risk Tolerance/Appetite	Loss Potential & Financial impact of Risk
Risk Treatment and Control Mechanism	Primary means Level of Confidence

	Monitoring & Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function responsible to develop strategy & Policy

3. 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 to be accepted or treated.

4. Risk Estimation

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

5. Risk Reporting

Most of the internal reporting and day to day interactions between senior management and departmental/functional heads ensures that senior management is aware of key risks and unusual incidents or loss events. The ongoing business success of the Company depends to a great extent on risk awareness and the ability to manage risks. This requires transparency of all risk taking activities and thus an effective risk reporting system.

6. 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. for

- a) Effective and efficient operations
- b) Effective Internal Controls
- c) 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.

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 aid in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization. This Policy will be communicated to all departmental/functional heads and other concerned persons of the Company.

AMENDMENT

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