

Nirlon Limited's Risk Management Committee (**RMC**) and  
Risk Management (**RM**) Policy

(Effective from March 29, 2016)\*

**I. Background, Introduction of LODR, 2015 by SEBI, Continuance of the RMC and RM Policy and Adoption of the Risk Management Policy/Plan**

i. Background

The Risk Management Committee (**RMC**) of Nirlon Limited ("**the Company**" or "**NL**") was formed on September 23, 2014, in compliance with Clause 49(VI) of the BSE Listing Agreement in order to ensure that the Company's affairs are carried out in a sound and prudent manner by managing its business, operating and financial risk by adopting appropriate risk identification, assessment, control and mitigation measures.

The Board of Directors ("**the Board**") of NL adopted the Risk Management (**RM**) Policy on November 13, 2014.

ii. Introduction of LODR, 2015 by SEBI

SEBI introduced Listing Obligations & Disclosure Requirements Regulations, 2015 (LODR) effective from December 1, 2015. LODR provide, inter alia, various regulations, annexures and schedules, all listed companies are required to comply with the provisions of the LODR. With the introduction of the LODR, the BSE Listing Agreement comes to an end.

The Regulation 21 of the LODR provides applicability for the Risk Management Committee and Risk Management Plan for the top 100 listed companies based on market capitalization as at the end of the immediate previous financial year.

iii. Continuance of the RMC and RM Policy

It is desirable and in the interest of the Company to continue with the RMC and RM Policy/Plan in order to safeguard business continuity, operations and timely assessment of potential Risk, as well as mitigation and minimization procedures for the same.

The existing Risk Management (**RM**) Policy of the Company is required to be amended suitably in order to reflect the correct position of applicable laws/regulations in force.

The LODR do provide specific regulation with respect to Risk Management, and hence, the Policy originally adopted by the Board is required to be amended suitably, and the same can be used as Risk Management Plan.

iv. Adoption of the RM Plan/Policy

The Directors on March 29, 2016 approved the RM Policy in compliance with the LODR, 2015.

**II. Objectives**

1. To formulate and recommend to the Board, a Risk Management Plan which shall indicate the various steps to be undertaken by the Company as may be prudent.
2. To recommend the action to be taken/procedure to be followed to mitigate risk.
3. To monitor the RM Plan.
4. To ensure that the Company reviews the RM Plan/Policy, methods, measures and steps taken by the Company at least once in a financial year.

**III. Definitions**

- i. **"Risk Management Committee"/"RMC"** means the existing Risk Management Committee of directors of the Company and any reconstitution thereof from time to time in accordance with the Act. **"Board"** means the Board of Directors of the Company from time to time;
- ii. **"SEBI (LODR) Regulations, 2015"/"LODR,2015"** means Listing Obligations and Disclosure Requirements Regulations, 2015 as notified by the Securities and Exchange Board of India on September 02, 2015 effective from December 01, 2015, and any modification and amendment thereto;
- iii. **"Senior Management"** mean personnel of the Company who are the members of its core management team excluding the Board of Directors. This would also include Vice Presidents, Heads of Departments, General Managers and employees up to the rank of Senior Managers;
- iv. **"Plan"** means the Risk Management Plan/Policy;
- v. **"Act"** means the Companies Act, 2013 any modifications and/ or re-enactment thereof;
- vi. **"Risk Management (RM)"** means and includes but is not limited to:-
  - a. Project risk
  - b. Business operations Risk
  - c. Financial risk
  - d. Operating Risk
  - e. Continuity of Business Risk
  - f. Marketing Risk
  - g. Compliance Risk
  - h. Foreign Currency Risk
  - i. Commodity price risks and commodity hedging
- vii. **"Regulation"** means Regulation 21 of the LODR, and any modification and amendment thereto;

#### **IV. Constitution**

1. The Existing RMC shall act as the RMC under the LODR, and any reconstitution thereof from time to time;
2. The RMC shall always consist of at least three (3) directors, out of which at least one (1) director shall be an independent director and one Director shall be a Woman Director;
3. Membership of the RMC shall be disclosed in the Annual Report;
4. The Company Secretary of the Company shall act as the Secretary of the RMC.

#### **V. Roles and Responsibilities**

1. To disclose the composition of the RMC in the Board's Report;
2. To formulate and recommend to the Board a Risk Management Plan;
3. To recommend the methods and procedures to be followed by the Company with respect to risk assessment and minimization;
4. To monitor and review the Risk Management Plan of the Company from time to time;
5. To disclose contents of such Plan in its annual report and also place it on the Company's website, if any, in such manner as may be prescribed;
6. To formulate, adopt, implement, and review various methods in order to achieve the following:-
  - create value - resources expended to mitigate risk should be less than the consequence of inaction, or (as in value engineering), the gain should exceed the pain
  - be an integral part of organizational processes
  - be part of the decision making process
  - explicitly address uncertainty and assumptions
  - have systematic and structured processes
  - be based on the best available information
  - be tailorable
  - take human factors into account
  - be transparent and inclusive
  - be dynamic, iterative and responsive to change
  - be capable of continual improvement and enhancement
  - be continually or periodically re-assessed

For the most part, these methods may consist of the following elements, performed, more or less, in the following order:-

1. Identify and characterize threats
2. Assess the vulnerability of critical assets to specific threats
3. Determine the risk (i.e. the expected likelihood and consequences of specific types of attacks on specific assets)
4. Identify ways to reduce those risks
5. Prioritize risk reduction measures based on a strategy

#### **VI. Power to Remove Difficulties**

If any difficulties arise in giving effect to the provisions of RM Policy/Plan, the Chairman of the RMC in consultation with the Board may by an order make such provisions as it appears to be necessary or expedient for removing the difficulty by suitably amending/modifying, such provisions and amendment/modification shall be displayed on the website of the Company.

This is always provided that such amendment/modifications shall in no event be inconsistent with the provision of the Act/Regulation.

#### **VII. Overriding Effects**

RM Policy shall not override the Act and / or Regulation, and any amendment and/or modification to the Act / Regulation shall prevail over the RM Policy.

Any provision contained in the RM Policy to the extent to which it is inconsistent or repugnant to the provisions of the Act / Regulation shall become or be void, as the case may be.

**\* POST INTRODUCTION OF LODR, 2015 BY THE SEBI**