# THE BOMBAY BURMAH TRADING CORPORATION, LIMITED

## RISK MANAGEMENT POLICY

**Preface:**

This Policy establishes the philosophy of The Bombay Burmah Trading Corporation, Limited (the Corporation), towards risk identification, assessment, analysis & prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Corporation. The Policy is formulated in compliance with Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Companies Act, 2013, including any amendments thereof. This Policy is applicable to all the Divisions and Mumbai Office of the Corporation.

**Risk means:**

- an anticipated event or action that has a chance of occurring, which may result in a negative impact; or
- any threat that can potentially prevent the organization from meeting its objectives; or
- any opportunity that is not being maximized by the organization to meet its objectives.

The two components of risk are:
(a) the likelihood of occurrence of the risk event; and
(b) the magnitude of impact if the risk event occurs. The combination of likelihood of occurrence and the magnitude of impact provides the gross risk.

**Objectives:**

The key objectives of this Policy are:

- Lay down the frame work for identification, assessment, measurement, evaluation, mitigation and reporting of risks.
- Promote risk awareness culture in pursuit of opportunities to benefit the organization.
- Safeguard the Corporation’s property, interests, and the interest of all stakeholders.
- Provide a sound basis for good corporate governance.

To realize the risk management objectives, the Corporation aims to ensure that**:**

- The identification and management of risk is integrated in the day to day management of every business Division.
- Risks are identified, assessed in the context of the Division’s proneness for risk and their potential impact on the achievement of objectives, continuously monitored and managed to an acceptable level.
- The escalation of risk information is timely, accurate and gives complete information on the risks to support decision making at all management levels.

- Risk is primarily managed by the business Division transacting the business which gives rise to the risk.

**Risk Management Committee:**

The Risk Management Policy will be implemented through the establishment of the Risk Management Committee ("Committee") accountable to the Board of Directors.

**Composition:**

The Committee shall have a minimum of 3 members, of which 2 would be Directors of the Corporation. The majority members of the Committee shall consist of the Board of Directors, including atleast one independent director and that senior executives may be members of the Committee. The Board shall have the power to determine the members of the Committee.

**Quorum:**

The quorum necessary for transacting business at a meeting of the Committee shall be either 2 members or one-third of the members of the Risk Management Committee, whichever is higher, including at least one member of the Board of Directors in attendance.

**Meetings:**

The Committee shall meet atleast twice in a year and as often as needed.. The meetings of the Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

**Board:**

While the Board shall oversee the functioning of the Risk Management Committee, the Risk Management Committee shall monitor and review the implementation of the Risk Management Process.

**Terms of Reference of Risk Management Committee:**

1. To periodically review the Risk Management Policy but at least once in two years, including by considering the changing industry dynamics and evolving complexity.

2. To formulate a detailed Risk Management Policy covering risk across functions and plan integration through training and awareness programs. The Policy shall include:

    a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
    b. Measures for risk mitigation including systems and processes for internal control of identified risks.
    c. Business continuity plan.

3. To approve the process for risk identification and mitigation.

4. To decide on risk tolerance and appetite levels, recognizing contingent risks, inherent and residual risks including for cyber security.

5. To safeguard the Corporation's property, interests, and the interest of all stakeholders

6. To Monitor the Company's compliance with the risk structure. Assess whether current exposure to the risks it faces is acceptable and that there is an effective remediation of non-compliance on an on-going basis.

7. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.

8. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.

9. To approve major decisions affecting the risk profile or exposure and give appropriate directions.

10. To consider the effectiveness of decision making process in crisis and emergency situations.

11. Promote risk awareness culture in pursuit of opportunities to benefit the organization.

12. To balance risks and opportunities.

13. To generally, assist the Board in the execution of its responsibility for the governance of risk.

14. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

15. the appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

16. The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

17. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

18. To attend to such other matters and functions as may be prescribed by the Board from time to time.

**Risk Management Process**

The process of identifying, analyzing and responding to risks.

**i. Risk Classification**

Risk elements are classified into various risk categories. List of risk categories is given in Annexure 1

**ii. Risk Identification**

The business head of each Division shall identify those risks from the list that may affect the Division.

**iii. Risk Analysis**

The business head of each Division shall determine the likelihood of the occurrence of identified risks and their impact on the Division.

**iv. Risk Assessment**

The business head of each Division shall assess and evaluate the risks and lay down procedures to manage them effectively.

**v. Treating Risks**

For high priority risks, the Committee with the help of Risk Champions and management should develop and implement specific risk management/ mitigation plans. Low priority risks may be accepted and monitored.

The Committee should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities. The Risk Management Committee should ensure approval of the control measures to be initiated against the identified risks from the designated personnel after analyzing cost v/s benefits.

**vi. Monitoring and Reporting**

The Risk Management Committee is responsible for overall monitoring of the risk management policy and the processes therein. To support the Risk Management Committee, the Divisional Heads (COOs), the CFO or any other person so identified by the Committee in consultation with the management will be the ‘Risk Champion’ to ensure compliance to this policy, preparation of risk registers inter alia containing the risks identified and the risk mitigation plan for each such identified risk.

Quarterly Division-wise Risk Registers and related documents shall be prepared by the Divisional/ Functional Heads and shall be placed before the Committee for their review.

**Retention of Documents:**

Risk Registers shall be retained by the Company for a minimum period of three years.

**Implementation Review:**

To ensure adequate and complete implementation of the Risk Management Processes and the Risk Management Policy, Internal Audit reviews should be carried out at least annually.

**Annexure 1**

## List of key risk categories

| Sr.No. | Risk Categories | Definitions |
|---|---|---|
| 1. | Strategic | Risks associated with brand management, strategy development, strategic alliances, R & D, business planning, business mix, performance targets, consistency of the units objective to the Corporation's strategic vision. |
| 2. | Land usage | Risks associated with restrictions on the use of land for specific purposes and time period |
| 3. | Business Development | Risks associated with developing, implementing and managing new and existing products, competition impacting market share and profitability, customer service, pricing, marketing and feasibility of new business opportunities. |
| 4. | Production | Risk relating to the production processes and inventory management. |
| 5. | Procurement | Risk related to the procurement process, dependence on few suppliers, volatility in prices etc. |
| 6. | Human resource | Risks associated with culture, organizational structure, communication, recruitment, performance management, remuneration, learning & development, retention, health & safety and worker relations, including supporting systems, processes and procedures. |
| 7. | Asset Management | Risk that assets may be damaged by fire or may not be timely or adequately covered by insurance. |
| 8. | Information Technology | The risk that systems are inadequately managed or controlled, data integrity, cyber security, reliability may not be ensured, inadequate vendor performance and monitoring, system or network architecture not supporting medium or long term business initiatives and strategy, capacity planning not being reviewed on a regular basis resulting in processing failures, risks of data or systems migration or interfaces. |
| 9. | Compliance | Risks relating to non-compliance with legislation, regulations, supervision or internal policies and procedures. This also includes all regulatory issues impacting BBTCL. |
| 10. | Entity | Risks associated with a lack of defined policies, processes, procedures or delegations of authority at a group, business unit or product area. This category also includes risks associated with budgeting, management reporting and cost management. |
| 11. | Project Management | Risks associated with projects (system implementations, process re-engineering, establishing, managing and integrating subsidiaries, joint ventures, franchises and alliances) and the change management issues around these projects. |

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| 12. | Contract Management | The risk that inappropriate service providers will be selected to provide critical services to the Group. As a result customer service may be negatively impacted. Service levels are not adequately monitored to ensure the service provider maintains a quality service and meets agreed service levels. |
| 13. | Business Continuity Planning / Data Recovery Planning | The planning and processes required to maintain the continuity of business activities or recovery response to a disastrous event which may impact the effectiveness of business operations. This includes internal and external activities and processes (e.g. reliance on key suppliers, system failures, critical staff dependencies, fire, flood, etc). |
| 14. | Fraud | By an employee and misuse of existing authority |
| 15. | Finance | Liquidity, credit, currency fluctuation. |
| 16. | Regulatory | Non-compliance to statutes, change of regulations. |
| 17. | Climatic | Climate Vagaries including excess or scanty rainfall etc. |

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