RISK MANAGEMENT POLICY

Contents

Purpose

1. Viraj Profiles Ltd. recognizes that it is exposed to a number of uncertainties, which are inherent to the industry it operates in. To increase confidence in the achievement of the objectives and for being well prepared for adverse situations or unplanned circumstances, the management has implemented a Risk Management process operated by the business as part of the regular management activities.

Key Compliance requirements

1.1 Section 134: The board of director's report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company Section 177: The audit committee shall act in accordance with the terms of reference specified in writing by the board, which shall, inter alia, include evaluation of risk management systems Schedule IV: Independent directors should satisfy themselves that systems of risk management are robust and defensible. It provides a way for managers to make informed management decisions.

Effective Risk Management affects everyone in the organization. To ensure a widespread understanding, Board members and all operational/business unit managers should be familiar with, and all staff aware of, the principles set out in this document.

1. Definitions

a) **Audit Committee:** Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013.

b) **Board of Directors / Board:** As per Section 2 of "The Companies Act, 2013", in relation to a Company, means the collective body of Directors of the Company.

c) **Senior Management:** Senior management includes CMD, MD, Finance Director & CFO & Technical Director. The constitution of Senior Management for the purpose of this policy would be as decided by the CMD from time to time.

d) **Risk:** Risk is often described by an event, a change in circumstances or a consequence that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. Thus, risk is the effect of uncertainty on objectives.

e) **Risk Management:** Risk Management is the coordinated activities to direct and control an organization with regard to risk. It is the process whereby organizations methodically address the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

f) **Risk Management Policy:** Risk Management Policy is a statement of the overall intentions and direction of an organization related to Risk Management.

g) **Risk Management Framework:** Risk Management Framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout the organization.

h) **Risk Owner:** Risk Owner is a person or entity with the accountability and authority to manage risk.

i) **Risk Assessment:** Risk Assessment is defined as the overall process of risk identification, risk analysis and risk evaluation.

j) **Risk Identification:** Risk Identification is a process of finding, recognizing and describing risks.

k) **Inherent Risks:** The risk management process focuses on areas of high inherent risk, with these documented in the Risk Register. Recent performance in delivering a core service that is below expectations or does not meet agreed targets should be considered an indicator of high inherent risk.

l) **Residual Risks:** Upon implementation of treatments there will still be a degree of residual (or remaining) risk, with the expectation that an unacceptable level of residual risk would remain only in exceptional circumstances.

m) **Risk Source:** Risk Source is an element which alone or in combination has the intrinsic potential to give rise to risk.

n) **Risk Analysis:** Risk Analysis is a process to comprehend the nature of risk and to determine the level of risk. It provides the basis for Risk Evaluation and decisions about Risk Treatment and includes Risk Estimation.

o) **Risk Evaluation:** Risk Evaluation is a process of comparing results of Risk Analysis with Risk Criteria to determine whether the risk and / or its magnitude is acceptable or tolerable. It assists in the decision about Risk Treatment.

p) **Risk Treatment:** Risk Treatment is a process to modify a Risk. It that deals with negative consequences is also referred to as ‘Risk Mitigation’, ‘Risk Elimination’, ‘Risk Prevention’ and ‘Risk Reduction’. It can create new risks or modify existing Risks.

q) **Control:** Control is a measure of modifying risk and includes any process, policy, device, practice or other actions which modify risk. It may not always exert the intended or assumed modifying effect.

2. Risk Management Objectives

The Objective of Risk Management is to provide means to Identify, Prioritize, and Manage the risk involved in all of Company’s business activities. The company intends to make Risk Management as an integral part of its operations, Management and decision-making Processes and not as an extra requirement.

The objectives of Risk Management Policy are to help business make informed choices which:

- Give the Board and Management reasonable assurance that the enterprise is moving in the right direction to achieve its strategic objectives;
- Improve its performance and profitability through strong operating capability;
- Ensure that financial viability and its reporting is reliable and in line with expectations;
- Ensure company is in compliance with all laws, regulations to avoid pitfalls and surprises;
- Improve business performance by informing and improving decision making and planning;
- Promote an innovative, less risk-averse culture, which encourages calculated risk taking in pursuit of opportunities for the benefit of the organization;
- Provide a sound basis for integrated risk management and internal control as components of good corporate governance

3. Principles

3.1 Drive

The management of risks must be carried out in a spirit of effectiveness and innovation for the benefit of long-term performance; the selectivity of the risk-taking is the guarantee of this performance and gives a reasonable assurance of control for the activities of Viraj Profiles Ltd.

3.2 Commitment

In Viraj, Risk management is everyone's commitment. Each Manager in business has to operate a risk management system consistent with Corporate Requirements within the Organization.

3.3 Regulatory Requirement of Risk Management Process

a) Section 134 of Companies Act' 2013: The board of director's report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company

b) Section 177 of Companies Act' 2013: The audit committee shall act in accordance with the terms of reference specified in writing by the board, which shall, inter alia, include evaluation of risk management systems

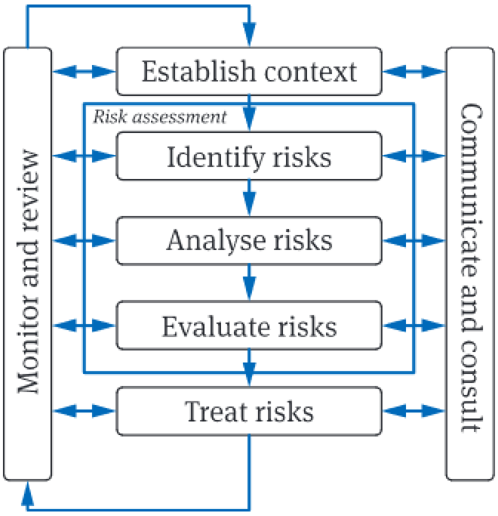
c) Schedule IV: Independent directors should satisfy themselves that systems of risk management are robust and defensible

3.4 Transparency and Compliance

Regular reports about the risk management activities, the most significant risks and the material failures in mitigation measures are escalated through the reporting line to the relevant levels of Group management structures. Each level of management controls the quality of the risk review for the entities that report to it.

4. Risk Management Framework

Risk Management process in Viraj is inspired from the Standard Risk Management Framework, as defined by ISO 31000.



The ISO 31000:2009 Risk Management Process

Step 1: Establish a context

- Define the scope of enquiry/objectives: i.e. what activity, decision, project, program, issue requires analysis
- Identify relevant stakeholders/areas involved or impacted
- Internal and/or external environment/factors

Step 2: Identify the Risk

Identify / assess

- What could happen?
- How and where it could happen?
- Why it could happen?
- What is the impact or potential impact?

Step 3: Analyze the Risk

- Identify the causes, contributing factors and actual or potential consequences
- Identify existing or current controls
- Assess the likelihood & impact/consequence to determine the risk rating

Step 4: Evaluate the Risk

- Is the risk acceptable or unacceptable?
- Does the risk need treatment or further action?
- Do the opportunities outweigh the threats?

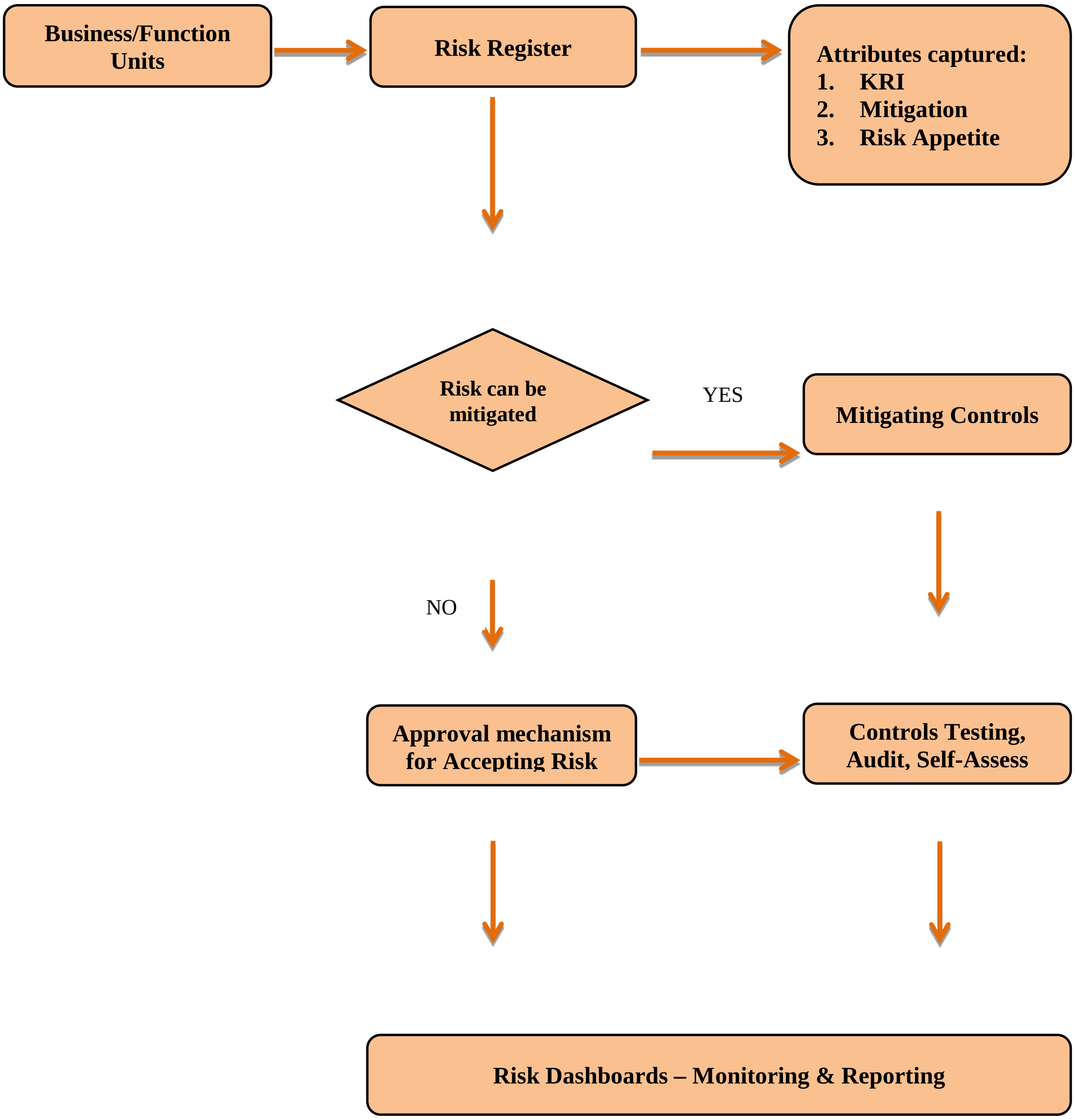
Step 5: Treat the Risk

- If existing controls are inadequate identify further treatment options
- Devise a treatment plan
- Seek endorsement & support for treatment
- Determine the residual risk rating once the risk is treated

Risk Classification:

- **Strategic Risks** are associated with the primary long-term purpose, objectives and direction of the business.
- **Operational Risk** refers to an unexpected failure in the company's day-to-day operations. It could be a technical failure, like a server outage, or it could be caused by people or processes.
- **Financial Risks** are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.
- **Reputational Risk** can take the form of a major lawsuit, an embarrassing product recall, negative publicity about you or your staff, or high-profile criticism of your products or services. And these days, it doesn't even take a major event to cause reputational damage; it could be a slow death by a thousand negative tweets and online product reviews.
- **Compliance Risk** refers to risks arising due to non-compliance with all the necessary laws and regulations that apply to business.

5. Risk Management Process in Viraj



6.1 Risk Register Creation

Risks from all known internal and external sources are collated and a **Risk Register** is built for key Business Processes. The ownership of risk register lies with the respective Business or Functional Heads, who are also nominated as the Risk Officers for their Units.

A measurable Key Risk Indicator (KRI) is captured for each risk. This indicates gross, current and target risk levels, which are further, mapped with suitable mitigation plans.

6.2 Risks and Mitigations Tracking

The accountability of managing Risks and their mitigations lies with the respective Business or Functional Risk Officers. Risk Register is used as a reference by the concerned business or functional owners to keep track of all their Risks.

Implementation of Risk mitigation plans and their effectiveness are also reviewed continuously by the respective Risk Officers. Reassessment of certain risks can also be done.

6.3 Periodic Reports and Dashboards

Risk Management process and Risk levels are tracked periodically by the Internal Audit. Effectiveness of Action Plans for risk management is also monitored.

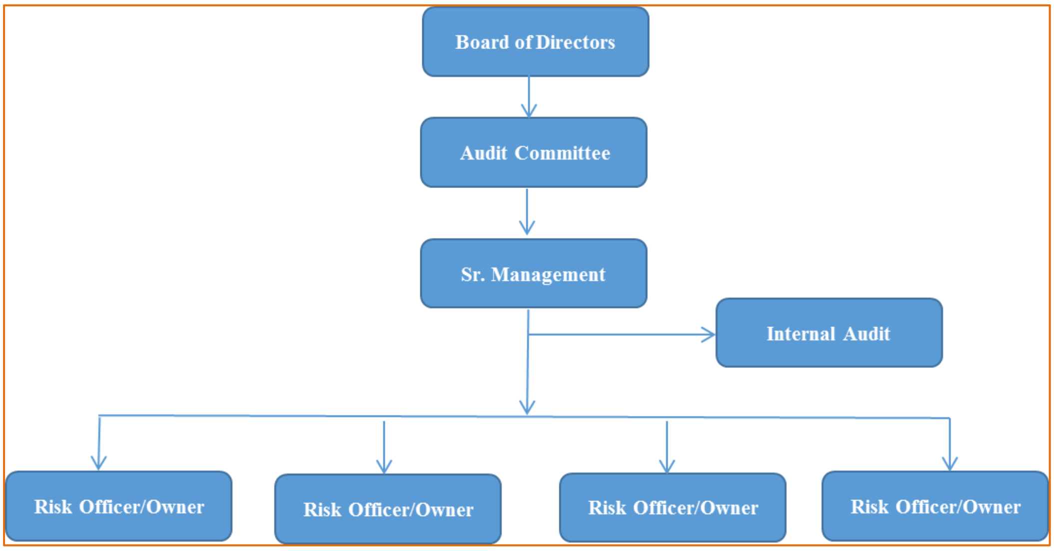
Risk related reports and dashboards are created by Internal Audit. Reports and Dashboards are published and respective Risk Officers would have a discussion with the Senior Management (chaired by CMD) on Quarterly basis.

6.4 Periodic Review with Audit committee

Risk Note is created by the Internal audit on the basis of input received in Risk Management meeting and same is annexed as part of Audit Committee meeting agenda. Audit Committee is apprised with the most Prominent Risks being faced by the organization along with their mitigations.

6. Roles and Responsibilities

The organization of the risk management is based on the various players at each level of the Enterprise:



7.1 Board of Directors, Audit Committee

• Oversight & Company Risk Review
• Approval of Risk Policy

a. The Board of Directors monitors the effectiveness of the risk management system.
b. The Board approves Viraj Profile's enterprise risk management policy.
c. At least once a year, it reviews the Enterprise's risks.
d. The Audit Committee evaluates the risk management systems periodically and makes appropriate recommendations to the Senior Management and Board.

7.2 Senior Management

- Risk Management policy and methods
- Risk Management process leadership
- Synthesis and global risk reporting

a. Senior Management is the Owner and provides leadership for Risk Management Process.
b. Risk Management Policy and methods are owned by the Senior Management.
c. Risk Officers and Owners of all the Business/Function Units report to the Senior Management.
d. Risk Presentation is discussed by Respective Risk Officers/heads and Internal Audit with the Senior Management on a Quarterly basis.

7.3 Internal Audit

- Management Assurance
- Risk Reports, Dashboards and Risk Note

a. Internal Audit is monitoring and provides assurance of Risk functions.
b. Internal audit assists the Risk officers for Risk Register preparation.
c. Risk related reports and dashboards are also created periodically.
d. Risk presentation is prepared and made to the Risk Meeting (chaired by CMD) along with the respective Risk Officers/Owners on a quarterly basis.
e. Internal audit also prepares Risk note, which is presented to the Audit Committee every Quarter.
f. Internal audit supports Risk officer in Risk Identification, evaluation, conduct and presentation in quarterly Risk Meeting and provides Risk note to Audit Committee and Boards.

7.4 Risk Officers / Owners

- Risk Management & Accountability
- Risk review

a. Head of each Business, Function or Operation is nominated as the Risk Officer/Owner of respective Unit. These Heads of operational or functional entity are responsible for managing risks in their field of activity or authority.
b. The Risk Officers define and implement specific risk policies within the limits of their authority.
c. They set the overall target exposure level to be reached within in specified period of time and, if necessary, a target exposure limits and/or steps for improvement.
d. They implement the risk management procedures, i.e. they are responsible for the identification, evaluation, prioritization and treatment of their risks, and then managing them. They have a dashboard, integrated in the management reports, consisting of indicators allowing them to monitor changes in exposure to the main risks.
e. They are responsible for truthfully reporting their risks to their immediate superiors in the organizational hierarchy.