RISK MANAGEMENT POLICY

Preface

Oxford Dictionary defines the term “risk” as a chance or possibility of danger, loss, injury or other adverse consequences.

Risk management in a business environment is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

Objective

The objective of Risk Management at Orosil Smiths India Limited is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise wide risk management framework is applied so that effective management of risks is an integral part of every employee’s job.

Risk Management

Risk Management is the process of controlling various risks in the organization by identifying or assessing those risks well in advance and taking steps to minimize those risks. The focus of good risk management is the identification and treatment of business risks.

Risk Management is a continuous and developing process which runs throughout the organization’s strategy and implementation of that strategy.

Types of Risks in Business:

Risks can be categorized into four major categories:

1. ***Strategic Risks***
   Risks emanating out of the choices we make on markets, resources and delivery model that can potentially impact our long-term competitive advantage.

2. ***Operational Risks***
   Risks inherent to business operations including those relating to Obsolescence of Technology Risk, Quality, Intellectual Property Rights Risk.

3. ***Financial Risks***
   Financial risks include Foreign Exchange Risk, Interest Rate Risks, Interest Rate Risks,

and Customers Outstanding Risks.

4. **Compliance & Legal Risks**
   Risks due to inadequate compliance to Contractual, Legal and regulatory Risks

Risk Management procedure:

- Risk Identification & Assessment :
- Risk Reporting & Communication
- Steps for Minimization of risks

Risk Identification & Assessment: Periodic assessment to identify significant risks for the Company and prioritizing the risks for action. Mechanisms for identification and prioritization of risks include risk survey, business risk environment scanning and focused discussions in Meetings of Board time to Time.

Risk Reporting & Communication: After the Risk has been assessed, it should be reported to the Board of Directors, Business Units and concerned employees of the Organization.

The Board of Directors should know:

- About the most significant risks facing the Organization.
- The effects of such risks on the shareholder value
- Frequency of the occurrence of a particular risk.
- Appropriate level of awareness about the risks in the Organization.

The Business Units should know:

- About the risks which fall into their area of responsibility, the possible impacts¬ these may have on other areas and consequences other areas may have on them.
- The systems which communicate variances in budgets and forecasts at¬ appropriate frequency to allow action to be taken.

The Concerned employees should:

- Understand their accountability for the individual risks
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

Minimization of risks**:** There are two ways to minimize the risks in the organization which are as under:

1. Accepting the Risk--- to accept the risk and insuring the risks or making contingency plans to deal with the risk.

2. Transfer of Risk---- to transfer the risk to other party e.g. in case of import of machinery, the risk of damage of machinery in the course of transit shall in the account of the seller.

This Risk Management policy is subject to be updated from time to time