RISK MANAGEMENT POLICY

OF

APIS INDIA LIMITED

LEGAL FRAMEWORK

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities.
Risk management policy and processes will enable APIS INDIA LIMITED (AIL) to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

OBJECTIVE & PURPOSE OF POLICY

The main objective of this policy is 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, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimised and managed i.e to ensure adequate systems for risk management.
2. To establish a framework for the company's risk management process and to ensure company wide implementation.
3. To ensure systematic and uniform assessment of risks related with different projects of the company.
4. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
5. To assure business growth with financial stability.

DISCLOSURE IN BOARD'S REPORT

The Board of Directors 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.

BACK GROUND AND IMPLEMENTATION

APIS INDIA LIMITED (AIL) is Fast Moving Consumer Goods (FMCG) Company prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

This policy is in compliance with the Section 134(3)(n) of the Companies Act, 2013 (w.e.f 1st April, 2014) which requires AIL to lay down procedure for risk assessment and procedure for risk minimization.

The Board of Directors of the Company 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 shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

APPLICATION

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

ROLE OF THE BOARD

The AIL Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- Ensure that the appropriate systems for risk management are in place.
- The Independent Directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;

- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

The Board will gather and review information and data, be thorough in assessments, seek independent or expert advice where appropriate and provide direction and guidance to the CEO in terms of decision-making.

OPPORTUNITIES AND THREATS

The Government of India has deregulated and liberalized the Fast Moving Consumer Goods Sector. The growth of India's middle class has created demand for FMCG Sectors. Rising FDI levels have increased commercial space requirements by foreign firms.

Fluctuations in market conditions may affect our ability to sell our products at expected rates which may adversely affect our revenue and earnings. Potential limitations of the supply of products could reduce our revenues or negatively impact the Company's operations.

As in any other business, the FMCG sector is also likely to face competition from existing as well as new players, both domestic as well as foreign. However, your Company hopes to address the competitive threat on the strength of its emphasis on its products quality, adoption of innovative designs, qualitative services and its experience in the sector.

The Company remains firmly committed to its objective of high quality coupled with aggressive cost reduction initiatives. The Company has to face cost escalation and issues related to raw material and FSSI laws which cause delay in implementation of the works.

The FMCG sector in India has undergone rapid changes in the past few years. The fight for the market share has intensified with competition resorting to higher advertisement costs. This combined with substantial increase in costs of critical inputs like raw material, Labour etc. have escalated the cost for FMCG sector.

Risks and Concerns:

FMCG sector price cycles have the maximum impact on the margins of the manufacturer because raw material & labour costs account for a large portion of the product. The other risk to which the manufacture are exposed is demand risk which indicates the ability to sell products based on location, brand, track record, quality and timelines of completion. Most FMCG manufacture try to address this risk by undertaking market surveys in order to assess the demand for their product. Sustained availability of working capital loans at a cheaper rate is one of the reasons for growth in demand for products units. Uncertain interest rates lead to uncertainty in the FMCG market. This trend of rising interest rate may dampen the growth rate of demand for product units. Change in Government Policies including change in tax structure also affects the progress of the FMCG industry.

The lack of uniformity in the regulatory environment concerning the FMCG sector, availability of quality manpower and reliable databases on industry are concerns that needs to be addressed for attracting FDI inflows in the industry.

RISK MANAGEMENT PROCESS

1. ESTABLISH GOALS & CONTEXT

The purpose of this stage of planning enables to understand the environment in which the respective organization operates, that means to thoroughly understand the external environment & internal culture of the organization.

The analysis is undertaken through:-

- establishing the strategic, organizational and risk management context of the organization, &
- Identifying the constraints and opportunities of the operating environment.

Methods to assess the environmental analysis are SWOT (Strength, Weaknesses, Opportunities and Threats) and PEST (Political, Economic, Societal and Technological) frameworks.

2. IDENTIFY THE RISKS

Using the information gained from the context, particularly as categorized by the SWOT and PEST frameworks, the next step is to identify the risks that are likely to affect the achievement of the goals of the organization, activity or initiative. It should be underlined that a risk can be an opportunity or strength that has not been realized.

Key questions that may assist your identification of risks include:

- ✓ For us to achieve our goals, when, where, why, and how are risks likely to occur?
- ✓ What are the risks associated with achieving each of our priorities?
- ✓ What are the risks of not achieving these priorities?
- ✓ Who might be involved (for example, suppliers, contractors, stakeholders)?

The appropriate risk identification method will depend on the application area (i.e. nature of activities and the hazard groups), the nature of the project, the project phase, resources available, regulatory requirements and client requirements as to objectives, desired outcome and the required level of detail.

3. ANALYSE THE RISKS

Risk analysis involves the consideration of the source of risk, the consequence & likelihood to estimate the inherent or unprotected risk without controls in place. It also involves identification of the controls, an estimation of their effectiveness and the resultant level of risk with controls in place (the protected, residual or controlled risk). Qualitative, semi-quantitative and quantitative techniques are all acceptable analysis techniques depending on the risk, the purpose of the analysis and the information and data available.

4. EVALUATE THE RISK

Once the risks have been analyzed they can be compared against the previously documented and approved tolerable risk criteria.

The decision of whether a risk is acceptable or not acceptable is taken by the relevant manager. A risk may be considered acceptable if for example:

- The risk is sufficiently low that treatment is not considered cost effective, or
- A treatment is not available, e.g. a project terminated by a change of government, or
- A sufficient opportunity exists that outweighs the perceived level of threat.

If the manager determines the level of risk to be acceptable, the risk may be accepted with no further treatment beyond the current controls. Acceptable risks should be monitored and periodically reviewed to ensure they remain acceptable. The level of acceptability can be organizational criteria or safety goals set by the authorities.

5. TREAT THE RISK

An unacceptable risk requires treatment. The objective of this stage of the risk assessment process is to develop cost effective options for treating the risks. Treatment options which are not necessarily mutually exclusive or appropriate in all circumstances, are driven by outcomes that include:

- Avoiding the risk,
- Reducing (mitigating) the risk,
- Transferring (sharing) the risk, and
- Retaining (accepting) the risk.

6. MONITORING THE RISK

It is important to understand that the concept of risk is dynamic and needs periodic and formal review.

The currency of identified risks needs to be regularly monitored. New risks and their impact on the organization may to be taken into account.

This step requires the description of how the outcomes of the treatment will be measured. Milestones or benchmarks for success and warning signs for failure need to be identified.

The review period is determined by the operating environment (including legislation), but as a general rule a comprehensive review every five years is an accepted industry norm. This is on the basis that all plant changes are subject to an appropriate change process including risk assessment.

The review needs to validate that the risk management process and the documentation is still valid. The review also needs to consider the current regulatory environment and industry practices which may have changed significantly in the intervening period.

The organization, competencies and effectiveness of the safety management system should also be covered. The plant management systems should have captured these changes and the review should be seen as a ‘back stop’.

The assumptions made in the previous risk assessment (hazards, likelihood and consequence) the effectiveness of controls and the associated management system as well as people need to be monitored on an on-going basis to ensure risk are in fact controlled to the underlying criteria.

For an efficient risk control the analysis of risk interactions is necessary.

This ensures that the influences of one risk to another is identified and assessed.
A framework needs to be in place that enables responsible officers to report on the following aspects of risk and its impact on organizations´ operations:

- What are the key risks?

- How are they being managed?
- Are the treatment strategies effective? – If not, what else must be undertaken?
- Are there any new risks and what are the implications for the organization?

7. COMMUNICATION & REPORTING

Clear communication is essential for the risk management process, i.e. clear communication of the objectives, the risk management process and its elements, as well as the findings and required actions as a result of the output.

RISK REGISTRATION, TREATMENT & REPORTING

Risk registers requires managers to record, as a minimum, the risk description, an assessment of that risk, the responsible officer for managing that risk & treatment plans.

This information provides a useful tool for managers & staff to consider in both strategic & operational planning & is available to managers & staff.

The risk management committee will monitor the risk profile of the organization with particular regard to those risks that exceed an acceptable risk level.

The management of risk will be integrated into organization's existing planning & operational processes & will be recognized in the funding & quarterly reporting mechanisms, on the basis of the evaluation of the level of risk & organization's exposure.

DISCLOSURES

The Board of Directors shall include in their Board's Report, a statement indicating development & 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.

REVIEW

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of organization.