

RISK MANAGEMENT POLICY



LT Foods Ltd.

The policy describes risk management principles and expectations applicable to all types of risk in all activities undertaken by L T Foods. It also outlines roles and responsibilities of the Board of Directors.

LT Foods believes risk is embedded in the nature of business in the current environment. Effectively managing risk is a competitive necessity and an integral part of creating shareholder value through good business practices designed to ensure that LT Foods achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity.

At LT Foods, a principal risk is defined as the chance of something negative happening, measured in terms of probability and impact, that may adversely affect the achievements of LT Foods' strategic or major business objectives. Risk management is a structured and disciplined approach to assess and manage the uncertainties that LT Foods faces as it creates value and preserves value.

1. PURPOSE

To establish, document, implement and maintain a robust risk management and business continuity management system (BCMS) so as to develop the capability of the organization to continue delivery of products or services at an acceptable predefined levels and recover from a disruptive incidents when they arise.

2. SCOPE

The scope of the Risk Management Policy (RMP) takes into account the organization's strategic objectives, key products and services, sourcing & customer geographies, risk tolerance and any regulatory and contractual/stakeholder obligations.

3. COMMITMENT AND RESPONSIBILITY

1. The top management demonstrates the ongoing commitment to the RMP through its leadership and actions. The management is also committed to creating an environment in which the management system operates effectively in synergy with the objectives of the organization.
2. The top management and operational heads are responsible in ensuring that the BCMS is compatible and its requirements are integrated into the organization's business processes and in communicating the importance of the effective business continuity management.

3. To facilitate the process of BCMS, the Risk Management Committee appoints Chief Risk Officer that reports independently to the Committee in this role.
4. To regularly conduct an independent audit to assess readiness of LT Foods in managing various risks.

4. PROCEDURE

Risk management principle encompasses a set of planning, preparation and related activities which are intended to ensure that the critical business of the organization continue to operate despite serious incidents or disasters that might otherwise interrupt them and get recovered to an operational level within a reasonable short period.

The management of continuity falls largely within the sphere of risk management and also governance, information security and compliance. Risk is a core consideration for business continuity concerns with those functions, operations, supplies, systems, etc. that are critically important to achieve the organization's operational objectives.

The company has in place a risk management system for identification, assessment and mitigating the risk from time to time. The major risks identified are systematically addressed through mitigating actions on a continuing basis. The risk mitigating strategy revolves around:

- a. An efficient reporting system to prevent surprise losses and to ensure that all the business heads are aware of the significant risks.
- b. Enabling better decision-making through the availability of reliable, actionable risk information to all concerned stakeholders.
- c. Building a strong growth strategy to moderate the impact of negative events.
- d. Identifying synergies across business verticals by facilitating the transfer of ideas and information and sharing of best practices among the company's businesses.

Although the company has defined business objectives with a supportive strategy, it may or may not be able to achieve the expected results due to numerous internal and external variables. The primary inherent business risks are mitigated with the planned strategies as explained hereafter.

A. PROCUREMENT RISK

Paddy is the major cost component and plays a crucial role in contributing to the company's profitability. Besides, its volume and quality has significant bearing on the competitiveness in the market.

- a. The company's longstanding engagements with the farming communities gives a leverage in securing higher procurement of quality paddy. Besides, in order to have an assured quantity of quality paddy during the season, the company also supports farmers by providing quality seeds and farming techniques. Further, the company's presence in contract farming reduces its dependence on purchase from the open market.

B. CURRENCY RISK

Significant volumes of the LT Foods' revenue come from the export business wherein foreign exchange rate movements, particularly between the Indian Rupee (INR) and United States Dollars (USD) have an impact on the company's profitability.

- a. In order to hedge this risk, the company uses various tools such as foreign currency borrowings, currency forward, option contracts and forex policy are adopted to take a balanced position.

C. CLIMATE RISK

Paddy production in India largely depends upon rainwater. Factors like excessive or deficient rain or untimely rains impact the quality and quantity of paddy production, which in turn influence the profitability of LT Foods.

- a. As a risk mitigation strategy, the company has entered into contract farming and few projects are initiated wherein paddy is cultivated with less use of water. Besides, the northern area mainly has irrigated farming, which further helps to alleviate the risk.

D. MARKET AND PRODUCT RISK

Exports contribute greatly towards the company's revenue. Any adverse economic disturbances in the developed markets, in particular, may impact its business. Besides, the government's export policies relating to food (rice) also impact the market scenario.

- a. The company may define that no single customer/Country/product is to contribute to greater than 30% of its revenue. This risk management is to be achieved by a plan targeted to increase in the contribution of other revenue streams.

E. INTEREST RATE RISK

Paddy, a major component of raw material requires aging, which in turn involves a great amount of working capital investment. Cost of funding constantly goes up due to prevailing tight fiscal environment. This persistently impacts the bottom-line of LT Foods.

- a. To circumvent this risk, the company maintains an impeccable track and ensures long term relations with the lenders to raise adequate fund/debts at the most competitive rates. The Risk Management Committee periodically recommends audit with external credit agency to assess and improve credit worthiness of the Company. It also explores innovative financing solutions to minimize the cost.

F. TECHNOLOGY CRISIS

The technological crises are caused by the human application of science and technology. The technological accidents inevitably occur when technology becomes complex and conjoined. At times, something goes wrong in the system, leading to technical breakdowns. Some technological crises occur when human error causes disruptions (Human breakdowns). Sometimes systems malfunction due to software failures.

- a. To combat and mitigate the effect of these technological crises, the company has installed high end renowned software like BAAN/ SAAP after conducting a thorough ERP of all its units, domestic and abroad. These units are integrated for seamless flow of information and effective transition of data. A constant backups of all the activities are taken and stored in the master sever of the company. Further, a well-trained IT team under the head of an executive Director is in place at the company's headquarters. This team critically monitors and addresses all the glitches and technical problems and ensures smooth functioning of IT system and business processes. The company has also drawn '**IT Policy**' which is quite exhaustive and deals with and mitigates any disruptions or failures in the IT system.

G. NATURAL CRISES

The crisis is also a facet of risk management. Natural crisis, typically natural disasters considered as 'acts of God' are such environmental phenomena as earthquakes, volcanic eruptions, tornadoes, hurricanes, floods, landslides, tsunamis, storms, droughts harshly affecting agricultural produce, etc. Although, these are the national calamities and the government is responsible to effectively combat these through the disaster management systems, it also severely affects the business due to curtailment of resources, supplies and communication disruptions.

- a. To meet out the crisis created by the natural disaster in affecting the production, causing disruption in supplies and the company's commitments, the company has established its plant at different locations so that if one plant is affected, the supplies could be diverted from other plants of the company. Emergency management plan is established and operated at all its plants and the staff is trained to effectively handle any kind of crisis or natural disaster. (Reference Food safety and Quality Procedure LTF/FSQP/HRM-04).
- b. Where applicable, LT Foods is entitled to insure itself against the potential losses arising out of natural crises.

H. EMERGENCY MANAGEMENT AND RESPONSE

An emergency is an unplanned event that can cause harm to employees, customers or public and disrupt operations/ business and bring about environmental damage. To combat these kind of crisis, the company has established and is maintaining a comprehensive emergency program towards emergency preparedness with response procedure to prevent any potential emergency situation and effectively handle to protect the employees, community and environment and containing the financial losses due to damage to the building/structure, equipment and products and consequential loss of market share, business standing or public image, etc.

- a. The emergency management plan is the process of preparing for, mitigating, responding and recovering from any emergency crisis. Emergency management plan detailed out the emergency measures to be taken by the organization. This includes identification of potential emergency situations like information about fire-fighting facilities, medical facilities,

communication network, location of emergency exits, assembly points etc. In addition, it carries contact numbers of external agencies nearest to our facility like Police, local fire brigade, hospitals, ambulance services and regulatory authorities whose help would be needed during emergency control operations.

- b. This emergency management plan is a part of corporate culture. The plan builds awareness; educate and train personnel; to test procedures; to involve management and all departments. The management endeavors to make emergency management as a part of what the personnel do on day-to-day basis. Under this plan, training, drills and exercises are conducted. A formal mock drill of the entire plan is conducted at least once a year.

5. REFERENCE AND DOCUMENTS

- Emergency Preparedness and Response Plan.
- IT Policy

The Board of Directors is responsible for:

- Approving and authorizing the Policy.
- Ensuring that a system is in place to identify the principal risks to the company and that the best practical procedures are in place to monitor and mitigate the risks.

Reviewing quarterly and annually, risk reports that identify the principal risks to the company and the keep a regular check on mitigation strategies in place.