GODAVARI BIOREFINERIES LIMITED

POLICY

ON

RISK MANAGEMENT

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1. Preambles

The Policy on Risk Management ("Policy") is framed by Godavari Biorefineries Limited in compliance of Regulation 17(9)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Sections 134(3)(n), 177(4)(vii) read with Schedule IV [Part II-(4)] of the Companies Act, 2013 as amended from time to time.

2. Objective

The Policy is to create a framework for identifying the potential risks impacting the Company's business and applying the various strategies for its minimization, optimization and maximizing the opportunities.

The Main Strategic Objectives of the policy are as follows:

- Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
- Contributing towards more efficient use/ allocation of the resources within the organization;
- Protecting and enhancing assets and company image;
- Reducing volatility in various areas of the business;
- Developing and supporting people and knowledge base of the organization; and
- Optimizing operational efficiency.

3. Definitions

a. **"Act"** means the Companies Act, 2013 as may be amended from time to time.

b. **"Board of Directors"** or **"Board"** means the Board of Directors of Godavari Biorefineries Limited, as constituted from time to time.

c. **"Policy"** shall mean the Policy on Risk Management, as amended from time to time.

d. **"Risk"** A probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.

e. **"Risk Management"** Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

f. **"Risk Assessment"** Risk Assessment is defined as the overall process of risk analysis and evaluation.

g. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation, amended from time to time.

4. Risk to the Company

The Company will identify risks which it is subject to and are significant in nature to threaten its existence.

Examples of some of the identified risks are:

a. Operational risk;

b. Customer concentration risk;

c. Macro-economic risks including business cycles;

d. Non-compliance to statutory obligations;

e. Employee related risk (including IR, Skill, Talent availability /attrition, legal compliance);

f. Information Technology risk;

g. Original Equipment Manufacturer Product / Platform risk;

h. Foreign Exchange risk;

i. Environment, Health & Safety risk;

j. Strategic risks;

k. Intellectual Property Risk.

5. Risk Management

Principles of Risk Management

1. The Risk Management shall provide reasonable assurance in protection of business value from uncertainties and consequent losses
2. All concerned process owners of the company shall be responsible for identifying & mitigating key risks in their respective domain.
3. All the employees of the Bank shall ensure efficient usage / allocation of the resources of the Bank.
4. The occurrence of risk, progress of mitigation plan and its status will be monitored on periodic basis.

6. Risk Management Procedures

6.1. General

Risk management process includes four activities: Risk Identification, Risk Assessment, Risk Mitigation and Monitoring & Reporting.

6.2. Risk Identification

The purpose of risk identification is to identify the events that can have an adverse impact on the achievement of the business objectives.

(i) Strategic Risks (Responsibility: Top Management)

Strategic risks are the risk arising due to the management decisions with respect to market, business growth, delivery model, etc. which can have adverse effect on the business objectives. This can further impact sustainability of business in the long term.

(ii) Legal Risks (Responsibility: Legal Team)

For all legal and related issues, advice must be sought from the legal department of the Company. If there is any deviation from the standard clauses, legal department shall suitably approve the said changes.

(iii) Business Risks (Responsibility: Business Heads)

Business risks are the risks which impose uncertainty in revenues or risk of losses which could be harmful to business, e.g. project management & time risks, client preferences, increase in competition etc.

(iv) Operational & Technical Risks (Responsibility: Business Heads)

Operational and technical risks are the risks arising from people, systems and processes through which the Company operates.

4.3. Risk Assessment

Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence. Each identified risk is assessed on two factors, which determine the risk exposure:

A. Impact if the event occurs

B. Likelihood of event occurrence

Risk Categories: It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments, each of the Risks can be categorized as – Low, Medium and High.

4.4. Risk Mitigation

The following framework shall be used for implementation of Risk Mitigation:

All identified risks should be mitigated using any of the following Risk mitigation plan:

a) Risk Avoidance: By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

b) Risk Transfer: Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging / Insurance.

c) Risk Reduction: Employing methods/solutions that reduce the severity of the loss e.g. concreting being done for preventing landslide from occurring.

d) Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater than the total losses sustained. All risks that are not avoided or transferred are retained by default.

7. Risk Management and Internal Control System

The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

The Company's Risk Management and Internal Control System have key role in the management of Risk that are significant to the fulfilment of its business goals and to safeguarding the shareholders' investment and the Company's assets.

The Company has established a well-defined process of risk management, wherein the identification, analysis and assessment of the various risks, measuring of the probable impact of such risks, formulation of risk mitigation strategy and implementation of the same takes place in a structured manner.

Though the various risks associated with the business cannot be eliminated completely, all efforts are made to minimize the impact of such risks on the operations of the Company.

Necessary internal control systems are also put in place by the Company on various activities across the board to ensure that business operations are directed towards attaining the stated organizational objectives with optimum utilization of the resources.

Apart from these internal control procedures, a well-defined and established system of internal audit is in operation to independently review and strengthen these control measures, which is carried out by a reputed firm of Chartered Accountants. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls.

8. Role of the Board of Directors

The board should fulfil certain key functions, including:

a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.

b. The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes to the Company to excessive risk.

c. The board of directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the Company's focus.

d. Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

e. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

9. Policy Review

The Policy shall be periodically reviewed and brought in conformity with statutory and regulatory requirements, as and when required.

This Policy has been approved at the Meeting of the Board of Directors held on September 08, 2021.

10. Interpretation

In any circumstance where the provisions of this Code differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Code until this Code is changed to conform to the said law, rule, regulation or standard.

11. Disclosure

The Policy, as amended from time to time, is disclosed on Company's website i.e. www.godavaribiorefineries.com