JUMBO BAG LIMITED

CIN: L36991TN1990PLC019944

"S.K Enclave", New No.4, (Old No. 47) Nowroji Road, Chetpet, Chennai 600031

RISK MANAGEMENT POLCY

BACKGROUND:

Jumbo Bag Ltd established in the year 1990 is part of a Bliss group of Companies engaged in manufacturing and marketing of Flexible Intermediate Bulk Container bags in India and several other countries. Being involved in both domestic and international market the operations of the Company are subjected to various internal and external risks. Through this policy the Company seeks to identify, analyze, Evaluate, treat and monitor and review the risk exposure.

LEGAL FRAMEWORK

The Following Provisions of Companies Act, 2013 provides the requirement of a Risk Management Policy:

a. Section 134(3)(n) necessitate that the Board's Report should contain 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.

b. Section 177(4) necessitate that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include **evaluation of internal financial controls and risk management systems**.

c. Schedule IV - Code for Independent Directors provides risk management as one of the role of Independent Directors:

II. Role and functions:

The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance**, risk management**, resources, key appointments and standards of conduct;

(2) satisfy themselves on the integrity of financial information and that financial control and the systems of **risk management** are robust and defensible;

APPLICABILITY

This Policy applies to entire Company's operations.

OBJECTIVES OF THE POLICY:

a. To ensure effective identification and reporting of risk exposure of the Company and efficient management of risk to mitigate and control its impact on the organization.

b. To ensure the involvement of all the departments and employees in the identifying and reporting of risk in their area of work.

c. To ensure the compliances of all the regulations and laws applicable to the company.

d. To ensure the continuous growth of business.

e. To protect the internal and external stakeholders of the company.

RISK FACTORS FACED BY THE COMPANY:

a. **Inflation Risk**

Since sales are made with a very thin margin of profit due to stiff competition in the market the fluctuation in inflation has a wider impact in the profitability of the Company.

b. **Credit Risk**

A Company cannot growth with its internal funds alone and finances from other sources such as banks are required for running the business. In this regard every business faces a credit risk which needs to be handled cautiously.

c. **Foreign Currency Risk**

The Company has been exporting to various countries and therefore exposed to fluctuations in foreign currency.

d. **Risk of External Economic Condition**

The economic environment around the world has impact on the company since exports are made to various countries.

e. **Realization Risk**

The risk related to realization from debtors is common with all the companies supplying materials on credit. Delay is realization from debtors affects the working capital position of the Company.

APPROACH TO RISK MANAGEMENT

a. Identification and analysis of the Risk:

By identifying the risk ahead the Company can take pro active steps to control and mitigate its impact. One of the identifiers is the strong internal audit program by an independent person. The internal audit is conducted for all the operations of the Company and deviations are noted. The management identifies the reason for deviation and the same is kept before the Audit Committee and Board members for analysis and identifying the risk of deviation.

The Management of the Company also submits its report on production and sales, financial charges, foreign currency exposure to the Audit committee and Board of Directors which helps the Committee members and Board of Directors to get hold of the risk exposure of Company.

b. Evaluation of Risk:

The risks identified are then evaluated by the Audit Committee and board of directors and prioritized based on urgency and impact on the performance of the Company operations.

c. Treating of Risk:

Once risks are identified and prioritized it needs to be acted upon to control the consequences. This is done on case by case basis based on the guidelines provided by the Audit committee and Board of Directors with help of the management.

d. Monitoring and review:

The department head in coordination with the concerned process head monitors and reviews the implementation of risk mitigation process.

e. Reporting:

Audit Committee and the Board of Directors review the action taken by the concerned department and results thereof and suggests further course of action if any required.

AMENDMENT:

This policy can be amended by the Board of Directors as and when there is any change in the risk evaluation process.