

Risk Management Policy
[Under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015]

1. Introduction

1.1 Background and Context Applicability.

Section 134(3) of the Companies Act, 2013 require a statement to be included in the report of the board of directors of Nath Bio-Genes (India) Limited, indicating development and implementation of a risk Management policy for the Company, including identification therein of element of risk, if Any, which, in the opinion of the board may threaten the existence of the Company.

Furthermore, Regulations 17 of the SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015, as amended (“Listing Regulations”), requires that the Company Set out procedures to inform the board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing, and Monitoring the risk management plan of the Company.

1.2 Objectives.

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps Nath Bio Genes (I) Limited to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy.

Risk management, by and large involves reviewing the operations of the organization, followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

The Company’s Risk Management policy covers particularly those risks which can threaten the existence of the Company. At the same time, the Company will also determine such risks which are within the limit of risk acceptance. The policy will be followed by detailed Risk Management guidelines and action to be taken to identify, avoid, mitigate, and transfer or to monitor the risk.

Risk Management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction.

1.3 Importance of Risk Management.

A certain amount of risk taking is inevitable if the organization is to achieve its objectives. Effective management of risk helps to manage innovation and improve Performance by contributing to:

- Increased certainty and fewer surprises,
- Better service delivery,
- More efficient use of resources,
- Better management at all levels through improved decision making,
- Reduced waste and fraud,
- and better value for money,
- Innovation,
- Management of contingent and maintenance activities.



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2 Requirement as per the Companies Act, 2013 Responsibility of the Board

As per Section 134 (n) of the Act, The board of directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the Company.

Responsibility of the Audit Committee

As per Section 177 (4)(vii) of the Act, the 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.

Requirement of Regulation 17 of the SEBI (LODR) Regulation 2015.

The listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures. The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

3. Roles and Responsibility

3.1 Role of Board of Director

The Board will undertake following actions in this regard:

- a. Frame and adopt the Risk Management Policy of the Company.
- b. Periodically review the Policy in terms of Company's objectives, performance, Organization Structure and industry trends.
- c. Modify/amend the policy in accordance with changing business scenario in discussion with Company's growth strategy, continuously changing business environment and legislative requirement.
- d. Periodically evaluate key risks to which the Company is adequate given the nature and scale of its operations.
- e. Annually review a Risk Report comprising Key Risks identified by the Management and the Risk Management Committee.
- f. Participate in major decisions affecting Company's risk profile.
- g. Ensure that Risk Management framework is integrated into the Board's Report.

3.2 Role of Audit Committee

- a. The Audit Committee assists the Board in carrying out its oversight responsibilities relating to the Company's –
 - Financial reporting process and disclosure of financial information in financial statements and other reporting practices,
 - internal control, and
 - compliance with laws, regulations, and ethics
 - Financial and risk management policies.
- b. Setting policies on internal control based on the organization's risk profile, its ability to manage the risks identified and the cost/ benefit of related controls;
- c. Seeking regular assurance that the system of internal control is effective in managing

risks in accordance with the Board's policies.

- d. Ensure that senior management monitors the effectiveness of internal control system.
- e. Help in identifying risk, assessing the risk, policies / guidance notes to respond its risks and thereafter frame policies for control and monitoring.

4. Risk Management

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction.

Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

- **Strategic Risk** are associated with the primary long-term purpose, objectives and direction of the business.
- **Operational Risks** are associated with the on-going, day-to-day operations of the enterprise.
- **Financial Risks** are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.
- **Knowledge Risks** are associated with the management and protection of knowledge and information within the enterprise.

Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

4.1 Steps in Risk Management

Risk management is a shared responsibility. The risk management process model includes the following key activities, performed on a continuous basis

a. Risk Identification

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.



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b. Risk Assessment

Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential Impact may include :-

- Financial Loss;
- Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
- Loss of talent;
- Health, Safety and Environment related incidences;
- Business interruption / closures;
- Loss of Value, ethics and reputation

The likelihood of occurrence of risk is rated based on number of past incidences in the industry, previous year audit observations, future trends or research available.

Risk may be evaluated based on whether they are internal and external, controllable and non-controllable, inherent and residual.

c. Risk Prioritization

After the risk assessment is complete, it is the responsibility of the Risk Management Function to prioritize the key risks to determine which risk are considered key and need to be addressed on a priority basis.

Prioritization of risks involves using final ratings. The risks are plotted on matrix, to identify which risks are materials from a corporate perspective.

For this purpose, the materiality scales are used to identify the severity and likelihood of these risks.

All risks that fall in the red zone are considered high risk and require immediate attention in terms of risk management.

The findings of risk prioritization are presented to Senior Management and Business Units.

d. Risk Analysis

Risk Analysis is to be conducted using a risk matrix for likelihood and Impact, taking the existing controls into consideration. Risk events assessed as “high” or “very high” criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

e. Risk Appetite

The Board shall approve the risk profile or appetite of the Company in material risk areas. The objective of risk appetite statements is to restrict the overall risk levels of the Company based on pre-defined strategies.

Risk appetite is communicated through the Company’s strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company’s actual results to ensure an appropriate level of risk tolerance throughout the Company.

Risk Manager shall develop the Risk Appetite statements and submit to the Board for review and approval.

Risk Appetite statements shall be reviewed annually for necessary changes. Any breach of the appetite statements shall be reported to the Board at the next meeting.

f. Risk Treatment – Mitigation

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated.

Once the top or critical risks are prioritized, appropriate risk mitigation and management efforts to effectively manage these risks are identified.

Risk mitigation strategy usually involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The risk mitigation strategies may include managing the risk through implementation of new internal controls, accepting certain risks, taking insurance, and finally avoiding certain activities that result in unacceptable risks.

g. Control and Monitoring Mechanism

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides a foundation for the development of an effective risk register, containing both the definitions and the guidance necessary for the process of assessing and mitigating risks identified within functions and associated processes.

In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated, such risk shall form part of consolidated risk register along with the business justification and their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

2. Board's Responsibility Statement

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.

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 risk management framework.

The Company has a control processes in place to help ensure that the information presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and interim review by the Company's external auditor;
- Planned review by internal auditors reviewing the effectiveness of internal processes, procedures and controls;
- Monthly review of financial performance compared to budget and forecast.

3. Internal Control and Risk Management

Individual heads, Employees, Directors are responsible, along with support from Risk Management and other support functions, for establishing effective internal controls within various business processes. Effective design and implementation of the internal control framework is validated by regular internal audits and test of controls for these units.

4. Incident Reporting / Loss Incidents

- Incident / Loss reporting occurs as part of day to day business that requires escalation of major events having financial or reputation impact.
- Such events with significant risks shall be reported by the different businesses and functions on a regular basis to understand the adequacy of the risk management activity and evaluate the effectiveness of the processes.
- The process requires all functional units to report all kinds of events which are unusual



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in nature and occurring in their daily course of activities.

- Incident Reporting shall be done via email to Risk Management Function explaining the event in detail along with event date, likely financial loss, mitigation actions taken and other necessary details.
- Risk Management Function shall maintain a log of major incidents reported and also present a summary of major incidents to Audit Committee/Board on a regular basis.

Risk Assessment Process

- Risk Assessment and rating methodologies take a systematic approach to determine the impact of occurrence of a risk and its likelihood of happening. In brief, the assessment involves following key steps.
- Rating of each risk as per the probability of the risk event occurring
- Rating the risk as per the financial impact of that risk event should the risk event occur. The two parameters provide the quantitative element to risk assessment.
- **Risk Identification and Categorization** – the process of identifying the company's exposure to uncertainty classified as Strategic / Business / Operational.
- **Risk Description** – the method of systematically capturing and recording the company's identified risks in a structured format
- **Risk Estimation** – the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach.
- Once the risks are analyzed, these can be plotted on a heat map and shared with the Audit Committee/Board.
- As part of the above risk assessment, key risks falling in the red zone will be subject to greater risk management by way of monitoring and mitigating controls.
- Accordingly, risks with a residual risk rating as are considered significant risk which require risk mitigation on a priority basis.

5. Risk Monitoring and Risk Reporting Process

Risk Monitoring

- The risks are to be monitored and treated by the Risk team under the guidance of Risk owner on a frequent basis. The risk owner reviews all the risks identified and profiled on regular basis with reference to the risk mitigation plan.
- A risk mitigation action plan is outlined for all priority risks in the high and medium categories. Senior Management and Business Heads design an action plan to mitigate and monitor each of these key risks.
- An action plan and status reporting are implemented to log actions proposed to mitigate risks and track status of evidence, of regular review and monitoring of the profile and action plan. The action plan and status reporting are circulated to stakeholders to update on the status of mitigation efforts.
- The Company shall also introduce some high level Key Risk Indicators that will provide leading and lagging indicators on some key risks.

Risk Reporting

- The Company's MIS provides the Board and senior management in clear and concise manner timely and relevant information concerning the risk profile. The MIS is capable of capturing major policy breaches and effective in promptly reporting such breaches to senior management, as well as to ensure that appropriate follow-up actions are taken.
- Most of the internal reporting and day to day interactions between senior management and Business Functions ensures that senior management is aware of key risks and unusual incidents or loss events.
- In addition to this, formal risk reporting has been introduced to highlight risk profiles, trends, key issues and effectiveness of Risk Management Systems.
- The on-going business success of the Company depends to a great extent on risk awareness and the ability to manage risks. This requires transparency of all risk taking activities and thus an effective risk reporting system.
- The following is a summary of the Risk Management Reporting that communicates the risk profile and risk mitigation efforts.

a. Company and Business Risk Profile

In order to manage risks, key risk dash boards are implemented to review risk levels at a Company level as well as at business function levels.

b. Risk Monitoring

As the risk exposure of any business may undergo change from time to time due to continuously changing environment, the updation of the Risk Matrix will be done on a regular basis.

Action Plan and Status

- A risk mitigation action plan is outlined for all priority risks in the high and medium categories. Senior Management and Business Heads design an action plan to mitigate and monitor each of these key risks.
- An action plan and status reporting are implemented to log actions proposed to mitigate risks and track status of Evidence, of regular review and monitoring of the profile and action plan.
- The action plan and status reporting are reported to Audit/Risk Committee to update on the status of mitigation efforts

6. Review of the Policy

The Risk Manager shall have the ownership of the Risk Management Policy and shall be responsible for implementation of the policy aspects.

The Policy shall be reviewed annually for its adequacy from the perspective of the changing business scenario or upon any changes required in the Policy on account of regulatory amendments. Any revision to the policy will be reviewed by the Risk Management Committee for approval of the Board.

7. Risks Specific to the Company and Mitigation Measures

a. Financial risks



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Sr. no	Threat / Process	Mitigation Measures
1.	Confidentiality risks	Education and clear cut policy to be circulated and acknowledged by all involved
2.	Change in interest rates	To manage debt at levels where fluctuation levels are minimum Cost effective funding should be identified for each project
3.	Exchange rate	Before finalizing the price of the product the exchange rate fluctuations should be observed carefully Economic conditions in the country and outside wherever natural hedge is not available, company to take hedging
4.	Change in taxation policies	Proper tax planning can minimize this risk to an extent Updating with latest amendments in the policies/tax rates to avoid penalties. Do sensitive analysis.
5.	Country risks	Risks associated with the countries (with which we are doing business) will be examined before getting into any contract
6.	Financial leverage risks	Debt equity ratio is monitored and managed for each project.
7.	Expenditure risks	All the expenditure have to be tied to revenue and revenue generation capabilities. Search for wasteful expenditure will be regularly carried and such expenditure will be reduced /eliminated.
8.	Risks in settlement of dues by dealers/customers	Systems are put in place for assessment of creditworthiness of dealers/customers
9.	Provision for bad and doubtful Debts	Provision for bad and doubtful debts is made to arrive at correct financial position of the Company. Appropriate recovery management and follow up.
10.	Blockage of funds – Delay in realization of sales	Timely realization by rigorous follow-up and meeting the clients

b. Manufacturing / Production Risks

Sr. no	Threat/Process	Mitigation Measures
1.	Delay in approval of Bill of Material (BOM) for each product / outdated BOM approval	Timely release of BOM for each Job order personally monitored by the concerned project leader. BOM approval to be updated
2.	Delay in Procurement	(a) Weekly monitoring by Senior Management keeping in view the production plan, (b) Alternate source for all the items wherever no vendor development cost involved, (c) Maintain the stock of Class C items, (d) Advance action for procurement of single source items and long lead items



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3.	Employee turn out	(a) Retaining the required technicians by motivating them through monetary and non-monetary benefits (job rotation, giving higher responsibility etc). (b) Training more persons on multiple skills
4.	Obsolescence of input material	(a) New input material needs to be integrated and whole product to be tested for reliability. (b) Modification in BOM and associated modifications in production process. (c) Updating of documentation on regular basis.
5.	Transportation Risk	(a) Employee accompanies the transport vehicle carrying important goods and keeps informed about vehicle movement. (b) Transit insurance for all shipments arranged.
6.	Schedule delay	Weekly review of the projects by management during the review meetings.

c. R & D Risks

Sr. no	Threat/Process	Mitigation
1.	Viability of the product	We are regularly testing the products at the customer site early on to ensure both that the product meets the customer requirement and will help the customer. Or meets the needs of the customer



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2.	Investment risks	Before making the product informal R&D is carried out to estimate the demand internally. Our R&D capabilities are assessed and gaps identified. Only when we are fully confident, we invest and proceed further on the project.
3.	Technology risks	Regularly management and technical team visits exhibitions to check the latest technology available and on the feedback continuous improvements are made to the technology.
4.	Risk of failure	Product Failure – every seed is tested rigorously and will ensure that the Seed is working. Efforts are on to conduct the earlier failure and abandon the project if necessary. Commercial Failure – Successful Seed is developed to make the customer specific. We price it very competitive and useful. Our products compete with Domestic companies and price offered by us is less and while ensuring reasonable margin to Nath Bio Genes.
5.	User specifications may be higher than or drastically different from initial expectations	Constant touch with the customer to ensure that we are continuously addressing to their requirement.
6.	Cost over run	Minimal Stretch budget has to be fixed for every project. Manpower accounting to be done to ensure that development cost stays within the limit. However, if there are cost overrun, complete reexamination of the project will be carried out to check the viability of the project.
7.	Confidentiality Risk	

d. Marketing Risks

Sr. no	Threat/Process	Mitigation
1.	Marketing expenditure	To draft ROI on market expenditure is required and once the draft is done we need to implement and monitor it.
2.	Confidentiality of information	Only most important and necessary is the price may leak out which is confidential. No one else should know the price except the key people, have to be trust worthy. There is possibility that at the maximum risk of the price being surreptitious.
3.	Lost assets such as files, laptops-	Remote back up of all files is in place. Random check of the same for every 6 months to see the robustness of the system needs to be done.



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4.	Communication risks/ Version risks- Wrong information on product features given to the client (Standardization of product features and requirements)	The marketing team should be trained properly on the products. Detailed information on the revised product specifications has to be passed on to the marketers immediately after documenting Information or brochures should be updated with the changing product features. Communication can be established between technical in-charge and the client to avoid miscommunication.
5.	Delivery schedules	Marketers should keep in view the lead time required before committing a date for delivery.
6.	Lack of coordination among the departments	Weekly meetings are conducted and any issues which remain open within the departments will be addressed and reasons for the delay are monitored. Regular meetings and the database maintenance with updates on the delivery schedules, demos, requirements etc. Automated system to track the status of the project which helps in follow-up on the commitments.
7.	Reputation risks	The agents should be properly chosen in different countries. Complete back ground should be studied. Before signing off the contracts with the agents the law of the country can be examined carefully.
8.	Competitors risk	
9.	Development risk	Thorough market survey to be done before recommending the products for development.

e. Deliverable Risks

Sr. no	Threat/Process	Mitigation
1.	Weather, natural disasters, accidents	Proper insurance of goods
2.	Unrealistic schedules	Marketing department should know the lead time for production while making the commitment.
3.	Transit delays	Can choose reputed and reliable transporters

f. Customer Support Risks

Sr. no	Threat/Process	Mitigation
1.	More installations and complaints at a time	Increase in staff and train them to cope up with the demand after doing a statistical study



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2.	Sudden increase in customer demand, new products and handling of new customers	Recruiting more people especially from same discipline
3.	Human Resource availability	(a) Retaining the required technicians by motivating them through monetary and non monetary benefits (job rotation, giving higher responsibility). (b) Training more persons on multiple skills.
4.	Material availability	(a) Stocking sufficient material keeping obsolescence in to account,(b) systematic up gradation plan at user end will be taken up
5.	Losing customers due to improper customer feedback analysis and poor assessment	Ensuring customer satisfaction by feedback collection at various levels randomly and conducting customer feedback review meetings regularly.
6.	Sensitive information, Data, Hardware locks, monitoring	Sensitive information of data, software and hardware locks, monitoring of the same and ensuring all the software sent out of office are only in Setup format.
7.	Spending more time for repair	Monitoring the time taken to complete the call and training programs
8.	Rolling out solutions	Periodic service analysis meetings will be conducted and solutions will be implemented in all products.
9.	Improper Training Risk	Monitoring and evaluating the individuals after training program conducted.

g. Human Resource Risks

Sr. no	Threat/Process	Mitigation
1.	Wrong hiring	Thorough evaluation during the interview and background verification. Introduced top grading interview process.
2.	Employee turn out	Retaining talented employees by motivating them through monetary and non-monetary benefits
3.	Key staff being ill and unable to work	Training employees on multiple skills. Have a backup plan for all key staff
4.	Changes in product	Develop skill-set of the employee as per the new recruitments by providing necessary training well in advance
5.	Personnel injury or death	Immediate back up plan
6.	Loosing key staff to competitors	Non-compete letter signed as part of non-disclosure agreement at the time of joining and at the time of exit by the employee. Initiate legal actions wherever required
7.	Termination risks	Gather sufficient information and reasons with proofs i.e., disciplinary memo / warnings to justify the decision before termination, counsel/warnings before termination.

h. System Risks

Sr. no	Threat/Process	Mitigation



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1.	System capability	EDP department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
2.	System reliability	Password protection is provided at different levels to ensure data integrity.
3.	Data integrity risks	Licensed software is being used in the systems.
4.	Coordinating and interfacing risks	The Company ensures "Data Security", by having access control/ restrictions.

i. Legal Risks

Sr. no	Threat/Process	Mitigation
1.	Contract Risks	A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
2.	Contractual Liability	Vetting of all legal and contractual documents
3	Insurance Risks	Insurance policies are audited to avoid any later disputes. Timely payment of insurance and full coverage of properties of the Company under insurance.
4	Frauds	Internal control systems for proper control on the operations of the Company and to detect any frauds.

8. Three Line of Defense

The three lines of defense framework and example risk appetite framework activities

Board of Directors			
	1 st line of defense	2 nd line of defense	3 rd line of defense
	Business unit	Risk management	Internal audit
Role	Take and manage risk	Set risk policy and monitor	Validate
Example responsibilities	<ul style="list-style-type: none"> Conduct business in accordance with agreed strategy and related risk appetite and limits Promote a strong risk culture and sustainable risk-return decision-making Establish and operate business unit risk and control structure able to ensure operation within agreed policies and risk limits Conduct rigorous self-testing against established policies, procedures, and limits Perform thoughtful, periodic risk self-assessments Report and escalate risk limits breaches 	<ul style="list-style-type: none"> Establish risk management policies and procedures, methodologies and tools, including risk appetite framework, and make available throughout enterprise Facilitate establishment of risk appetite statement with input from senior management and the board and approval of the board and set risk limits Monitor risk limits and communicate with the CEO and the board regarding exceptions Provide independent risk oversight across all risk types, business units, and locations 	<ul style="list-style-type: none"> Perform independent testing and assess whether the risk appetite framework, risk policies, risk procedures, and related controls are functioning as intended Perform independent testing and validation of business unit risk and control elements Provide assurance to management and the board related to the quality and effectiveness of the risk management program, including risk appetite processes

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