



RISK MANAGEMENT POLICY

PREAMBLE

Risk management is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

Section 134 (3)(n) of the Companies Act, 2013 stipulates that Report of Board of Directors laid before the Company in General Meeting 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 Securities Exchange Board of India vide its Notification No. SEBI/LAD-NRO/GN/2021/18, dated May 05, 2021, has also amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') mandating the constitution of Risk Management Committee for the top 1000 listed entities based on their market capitalization calculated on March 31 of every financial year, which shall be disclosed in its Annual Report and on its website.

OBJECTIVE:

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 Company's business and to create and protect shareholders' value by minimizing threats or losses, and identifying and maximizing opportunities. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues. These include:

1. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee enabling future activities in a consistent and controlled manner
2. Measures for risk mitigation including systems and processes for internal control of identified risks.
3. To establish ownership throughout the Organization and embed risk management as in integral part of the business rather than a stand-alone system

3. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
4. Contributing towards more efficient use/ allocation of the resources within the organization;
5. To ensure that all the current and expected risk exposures of the organization are identified, qualitatively and quantitatively evaluated, analyzed and appropriately managed .
6. Protecting and enhancing assets and company image;
7. Reducing volatility in various areas of the business;
8. Developing and supporting people and knowledge base of the organization;
9. To enable compliance with the relevant legal and regulatory requirements
10. Optimizing operational efficiency

APPLICABILITY:

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

KEY DEFINITIONS:

"Company" means "Kuantum Papers limited", a Company constituted under the provisions of Companies Act, 1956.

"Board of Directors" or **"Board"**, in relation to a company, means the collective body of the directors of the Kuantum Papers limited (the 'Company').

"Audit Committee or Committee" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations.

"Policy" means Risk Management Policy.

"Risk" in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

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

RISK FACTORS:

The objectives of the Company are subject to both external and internal risks that are enumerated below:

External Risk Factors

- Economic Environment and Market conditions
- Political Environment
- Competition
- Inflation and Cost structure: Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer time-frame, as much higher risks for inflation and resultant increase in costs.
- Technology Obsolescence: The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.
- Legal: Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.
- Cyber security and ESG related Risks

Internal Risk Factors

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

RISK MANAGEMENT FRAMEWORK:

Roles and Responsibilities (Terms of Reference):

Board of Directors:

- Approve and review the Risk Management Policy
- Oversee the development and implementation of risk management framework and maintain an adequate monitoring and reporting mechanism.

- Give directions to Risk Management Committee on Top Priority risks identified and its mitigation plan.
- The board of directors shall define the role and responsibility, in line with the Act and SEBI Regulation, of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

Risk Management Committee (RMC): The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

- Formulate, Review and recommend a detailed Risk Management Policy of the Company.
- The Risk Management Committee shall manage the integrated risk, inform the Board about the progress made in implementing a risk management system and to evaluate the adequacy of risk management systems.
- Ensure ongoing review & compliance of the Risk Management Policy
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- Ensure continuous improvement in Risk Management Framework to ensure global best practices.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- Hold meetings on a half yearly basis or as frequently as required.
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- To formulate Business continuity plan
- Review of Forex currency exposure and hedging thereof.
- The Risk Management Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines and Listing Regulations.

RISK MITIGATION MEASURES:

The Management shall ensure effective implementation of the Risk Management Policy of the Company. This shall include:

- (i) putting in place risk management frameworks and processes;
- (ii) identifying risks and promoting a pro-active approach to treating such risks;
- (iii) conducting regular risk assessments;
- (iv) allocating adequate resources to mitigate and manage risks and minimize their adverse impact on outcomes;
- (v) striving towards strengthening the risk management system through continuous learning and improvement;

- (vi) Reviewing all business continuity processes and disaster management plans for unforeseen exigencies and providing clear guidance and strong basis for informed decision making at all levels of the organization;
- (vii) deploying strategies and methods to reduce the severity of risks;
- (viii) complying with all relevant laws and regulations and compliance across its areas of operation;
- (ix) communicating the Policy to the required stakeholders through suitable means and periodically reviewing its relevance in a dynamic business environment;

Commodity Price Risks

The Company being a manufacturer of writing and printing paper is exposed to commodity price risk as it purchases imported and indigenous raw material.

The increase in prices of raw material, imported pulp and other inputs continues to be a matter of great concern for the industry. However, locational advantage of the company's paper mill provides an added access to the major raw material sources and insulates it, to some extent on this front. The Company has exclusive sources of suppliers connected to it for the last more than three decades for supply of Agro raw materials, by way of long term contract arrangements. However, any changes in prices of commodities impact procurement cost of raw material.

DISCLAIMER CLAUSE:

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

DISCLOSURES: The Board's report shall contain a statement indicating the 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 operations - businesses of the Company.

APPROVAL AND MODIFICATION: The Board reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.

This Policy was reviewed by the Board of Directors at its meeting held on 29 April, 2023.