# RISK MANAGEMENT POLICY

**Background**

Khanna Paper Mills Limited (hereinafter referred as the “company” or “KPML”) is a prominent player in the professional paper manufacturing industry. With an established brand name, and a proficient and enthusiastic management team, KPML has earned a solid reputation for producing superior-quality paper-based products. The company's origins can be traced back to 1985 when Sh. Brij Mohan Khanna, the Chairman and Whole-Time Director, identified the growth potential of the recycled paper market. Under his leadership, the company expanded from a modest paper mill in Amritsar to become one of India's largest paper manufacturers.

**Legal Framework**

Section 134(3) of the Companies Act, 2013 requires a statement to be included in the report of the Board of Directors (“**Board**”) of Khanna Paper Mills Limited (“**Company**”), 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 purpose of this Risk Management Policy framework is to provide guidance and direction for identifying, evaluating, and managing risks that may impact the operations and financial performance of the company. The framework will establish a structured approach to risk management, including the identification of risks, the evaluation of risks, the development of mitigation strategies, and the monitoring and reporting of risks.

**Policy Statement**

The company recognizes that risks are inherent in its operations and will take a proactive approach to identifying, evaluating, and managing risks to achieve its business objectives. The company will establish a risk management process that is integrated into the overall management system and will ensure compliance with all applicable laws and regulations related to risk management. The company will also establish procedures for reporting and communicating risks to relevant stakeholders and will ensure that all employees are aware of their responsibilities for identifying and managing risks.

**Objective and Purpose**

In line with the Company’s objective towards increasing stakeholder value, a risk management policy has been framed, which attempts to identify, assess, and manage the potential risks that could negatively impact the company's operations, financial stability, reputation, and safety.

The policy should aim to establish a systematic approach to risk management that integrates with the company's overall business strategy and objectives. It should outline the various types of risks the company faces, such as market risks, operational risks, credit risks, regulatory risks, and environmental risks.

The policy should define the roles and responsibilities of the different stakeholders involved in risk management, such as the board of directors, senior management, risk management team, and employees. It should also set out the procedures and tools for risk identification, assessment, and monitoring.

The ultimate goal of the risk management policy is to ensure that the company is adequately prepared to manage potential risks and can effectively mitigate their impact on the company's operations and financial performance. By proactively managing risks, the company can protect its assets, reputation, and stakeholders while maximizing opportunities for growth and profitability.

**Policy**

Our risk management approach is composed primarily of three components:

- Risk Governance
- Risk Identification
- Risk Assessment and Control

**Risk Governance**:

- The functional heads of the Company are responsible for managing risk on various parameters andensure implementation of appropriate risk mitigation measures.
- The Audit Committee provides oversight and reviews the risk management policy fromtime to time.

**Risk Identification:**

The company will identify potential risks that may impact its operations, including financial, operational, legal, regulatory, reputational, and environmental risks. Risks will be identified through a variety of sources including external and internal audits, management reports, and stakeholder feedback in the context of business objectives

**Risk Assessment and Control**:

This comprises the following:

- Risk assessment and reporting
- Risk control
- Capability development

On a periodic basis risk, external and internal risk factors are assessed by responsible managers across theorganization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management. Examples of certain of theseidentified risks are as follows:

- Broad market trends and other factors beyond the Company's control significantly reducing demandfor its product and harming its business, financial condition and results of operations
- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Its products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
- Its risk management methods and insurance policies not being effective or adequate

- Changes in government policies
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

**Audit Committee**

The Company has a committee of the Board, namely, the Audit Committee, which was constituted with the overall responsibility of overseeing and reviewing risk management across the Company. The terms of reference of the Audit Committee are as follows:

- review of strategic risks arising out of adverse business decisions and lack of responsiveness tochanges;

- review of operational risks;

- review of financial and reporting risks;

- review of compliance risks;

- review or discuss the Company's risk philosophy and the quantum of risk, on a broad level that theCompany, as an organization, is willing to accept in pursuit of stakeholder value;

- review the extent to which management has established effective enterprise risk management at the Company;

- inquiring about existing risk management processes and review the effectiveness of those processes in identifying, assessing and managing the Company's most significant enterprise-wide risk exposures;

- review the Company's portfolio of risk and consider it against its risk appetite by reviewing integrationof strategy and operational initiatives with enterprise-wide risk exposures to ensure risk exposures are consistent with overall appetite for risk; and

- review periodically key risk indicators and management response thereto.

**Board Oversight**

The Board of Directors will be actively involved in the risk management process. The board will review and approve the Risk Management Policy framework, monitor risk management activities, and ensure that the company is in compliance with applicable laws and regulations. The board will receive regular reports on the status of identified risks and the effectiveness of mitigation strategies.

**Integration with Management System**

The Risk Management Policy framework will be integrated into the overall management system of the company. The company will ensure that all employees are aware of the Risk Management Policy framework and their responsibilities for identifying and managing risks. The company will also establish procedures for regularly reviewing and updating the risk management process to ensure that it remains current and effective.

**Limitation**

The purpose of the Risk Management Framework is not to guarantee complete assurance against the failure to achieve business objectives or offer complete protection against material misstatements, losses, frauds, human errors, misjudgments in decision-making, and violations of legislation and regulations.

**Conclusion**

If there is any discrepancy between the provisions of this Policy and the relevant provisions of the Companies Act, 2013, the provisions of the Companies Act, 2013 shall prevail.