THE GROB TEA CO. LTD.

RISK MANAGEMENT POLICY

1.1 Introduction

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities.The Company and its actions are increasingly exposed to greater scrutiny by the public, investors and its stake-holders. Accordingly, the Company has to contend with new business challenges, risks and demands for corporate governance. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Ability to identify and manage risks promptly is also a critical aspect of corporate governance at any Company. Many risks exist in a Company's operating environment and continuously emerge on a day to day basis. Risk management does not aim at eliminating them, as that would simultaneously eliminate all chances of rewards/ opportunities. Risk Management is instead focused at ensuring that these risks are known and addressed through a pragmatic and effective risk management process.

Objectives

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 business.

The specific objectives of Risk Management Policy are to:

- Better understand our risk profile;
- Understand and better manage the uncertainties which impact our performance;
- To establish a framework for the company's risk management process and to ensure its implementation
- Contribute to safeguarding company value and interest of various stakeholders;
- Ensure that sound business opportunities are identified and pursued without exposing the business to an unacceptable level of risk; and
- Improve compliance with good corporate governance guidelines and practices as well as laws & regulations.

1.2 **Definitions Risk** –

Any event/non-event, the occurrence/non-occurrence of which can adversely affect the objectives/existence of the company. These threats may be internal/ external to the Company, may/may not be directly influenced by the Company and may arise out of routine/non routine actions of the Company.

Risk Management - A structured, consistent and continuous process; for identifying, assessing, deciding on responses to and reporting on the opportunities and threats that may affect the achievement of our objectives.

Risk Library - A compilation of risks identified during the annual risk identification exercise. The risk library may be amended on a quarterly basis to include emerging risks.

Risks That Matter - Key risks (typically with significant impact and likelihood) are derived from the risk library resulting from the annual risk prioritization. Since these risks warrant more focus, the Company's documents its mitigation strategy for these risks.

Mitigation Plans - Measures (existing and proposed) to mitigate / monitor / transfer the Risks That Matter.

Risk Competency Scan – Identification and assessment of existing risk mitigation strategies to address the Risks That Matter.

Risk MIS - Periodic reports to executive management or directors on risk management and its results.

Risk Self-Certification - Self-certification by 'Risk owners' (including the RTM owners) of the effectiveness of risk management procedures at a defined periodicity during the year.

2. **The Risk Management Framework**

The Risk Management Framework outlines the series of activities and their enablers that we expect each company to deploy, to assess, mitigate and monitor risks. The Risk Management Framework comprises essentially of the following 2 elements:

- Risk Management process that helps identify, prioritize and manage risks; and
- Risk Management structure i.e. the roles and responsibilities for implementing the risk management programme.

2.1 Risk Management Process

Whether risks are external/ internal to the Company, or can/ cannot be directly influenced/ managed, they are addressed by a common set of processes through the Risk Management process. This process is scheduled to be performed:

- Annually along with the business planning exercise.
- At any point of time on account of significant changes in internal business conduct or external business environment.
- When the business seeks to undertake a non-routine transaction (such as an acquisition, entering into a new line of business etc.).

The following stages are involved in the Risk Management process:

1. **Establish the context** is focused on laying down objectives that the company seeks to achieve and safeguard. Risks are identified and prioritized in the context of these objectives.

2. **Assess (identify and prioritize) risks**, which comprises of:

a. Risk identification – involves identification of relevant risks that can adversely affect the achievement of the objectives.

b. Risk prioritization – involves assessing the relative priority of each risk to arrive at the key risks or Risks That Matter ('RTM'). This involves considering the potential impact and likelihood of occurrence of the risk.

3. Mitigate risks involves design and implementation of activities that help manage risks to an acceptable level. It involves assessment of the existing competency of management processes to mitigate risks and make improvements thereto. For the Risks that Matter, each company is expected to formally define risk ownership, mitigation activities, responsibilities and milestones.

4. Monitor and Report: A formal process to update the Board of Directors, the Audit Committee and the Risk Management Committee on the risk profile and effectiveness of implementation of mitigation plans.

2.2 **Risk Management structure**

The roles & responsibilities for implementing the Risk Management process are as follows: ·

Monitoring: 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 properly defined network. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

Constitution of Risk Management Committee

Risk Management Committee shall be constituted by the company consisting of such number of directors (executive or non-executive) as the Company thinks fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

Assurance:

All risks cannot be audited, Corporate Internal Audit, External Audit, Environmental Health & Safety, Insurance or any other function(s) entrusted by the Audit Committee may provide independent assurance on the effectiveness of defined risk mitigation strategies for certain areas. In addition, these functions through their regular audit/ fieldwork at various levels might identify additional risks, which will serve as an input for the subsequent risk identification and definition process.

2.3 Limitation

The Risk Management Framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgments in decision-making and violations of legislation and regulations.