

RISK MANAGEMENT POLICY

of **PREMIER CRYOGENICS LIMITED**

136, Maniram Dewan Road, Chandmari, Guwahati – 781 003
Phone : (0361) 2660192 / 93 Fax : 91-361-2661787 CIN:L24111AS1994PLC004051
Email : info@premiercryogenics.com Website : www.premiercryogenics.com

Risk Management Policy

I. Introduction

Premier Cryogenics view risk management as integral to its objective of effective management of the Company assets and creating and maintaining shareholder value. In pursuit of having a risk management system in place, it emphasises the need for an appropriate and effective policy framework to address the issues. The policy provides the framework to manage the risks associated with its activities and is designed to identify, assess, monitor and manage risk to the achievement of key business objectives.

II. Risk Responsibilities

Board - The Board shall oversee and approve risk management strategy and policies, internal compliance and internal control. The Board shall periodically review the effectiveness of the management of material business risks and the risk management system. The Board may delegate certain responsibilities in these matters to the Audit Committee or to any other Committee as it may constitute for the purpose of managing risk.

Audit Committee - The Audit Committee is responsible for overseeing and monitoring the financial risk management process, including fraud prevention and related legal compliance. It shall periodically review with management the effectiveness of the management of material business risks and may make recommendations to the Board on the adequacy of the process for managing such risks.

Management - The responsibility for developing, implementing and assessing the effectiveness of the process to manage material business risk is delegated to the Managing Director or the Chief Executive Officer and management. As part of the process, management is required to:

- Identify, monitor and report to the Board, on the business and financial risks to achieving the company's strategic, operational and financial objectives
- Report to the Board on major changes in the risk environment
- Assess risk management and associated internal compliance and control procedures and report to the Audit Committee and Board annually on the effectiveness of the company's management of material business risks.

III. Risk categories

The key risks specific to the industry and other general risks that may have the potential of affecting the Company's business objectives including the key risk elements are broadly categories as below:

- (1) **Business and strategic risks** which could emerge out of extraneous factors like market volatility, demand and supply, price fluctuation, competition, socio-economic and political conditions, government policies, etc. that can adversely affect the company's business.
- (2) **Operational risks** which arises out of technological changes, input costs and availability, transportation bottlenecks, health, safety and security aspects, environmental risks, etc. that may have an adverse impact on the business operations.

- (3) **Financial risks** that devolve from debt servicing, credit and investment policies, interest rate fluctuations, foreign exchange fluctuations, etc. which may have an adverse affect on the financial health, credibility and liquidity of the Company
- (4) **Compliance risks** arising out of contractual, economic and technical issues, complexities/developments in the regulatory environment and other legal factors that may lead to potential risk of infringement, loss, suspensions, and penal consequences.

IV. Risk Management

- a. The key risk management practices of the Company shall include those relating to identifying key risks to the business objectives, impact assessment, risk analysis and evaluation, risk reporting and disclosure, risk mitigation, monitoring and integration with strategy and business planning.
- b. The key roles and responsibilities regarding risk management in the Company shall be with the Management and each functional head in respect of the risks specific to the area of their respective departmental functions.
- c. The focus of risk management shall be to assess risks to the achievement of the key business objectives and to deploy mitigating measures which shall be done through periodic and event based reviews and taking appropriate steps to mitigate the impact of the risk identified.

V. Risk identification and assessment

- a) The mechanism for identification of risks shall include risk survey, incident analysis, industry benchmarking, business risk environment scanning, and focussed discussion with the management. These shall be carried out by operating such system that assist the appropriate functional level and provides early warning of risks.
- b) The internal audit findings shall also be considered as inputs for risk identification and assessment. Risk survey of executives across the units and functions of the organisation can be conducted to seek inputs on key risks. The risks shall be assessed taking into account the external and internal incidents having impact on the business objectives.
- c) Periodic assessment of the risks shall include:
 - (i) Assessment of business risk environment basically with respect to growth, market, pricing, Government policies and socio-economic conditions and their significance to the achievement of Company's business objectives.
 - (ii) Operational risks assessment shall be carried out primarily in respect of the strength of underlying control processes, adherence to policies and procedures and effectiveness of the operational systems and processes.
 - (iii) Assessment of financial risks including internal financial control processes shall be carried out primarily to ensure the accuracy of financial data, prevent fraud and error, and effectiveness and efficiency in the use of Company's resources.
 - (iv) Compliance risk assessment shall be carried out primarily in respect of contractual liabilities, insurance measures, revenue obligations, employment conditions and compliance with regulatory requirements.

VI. Risk evaluation

- a) Risk evaluation shall be carried out to decide the significance of risks to the Company. The estimated risks shall be compared against the risk criteria, which shall include areas like business strategy, growth, cost, security, competency, reputation and regulatory compliance.
- b) The risks shall be evaluated considering the business objectives through a set of specific goals that have to be achieved in the short term, and the strategic goals that have to be achieved in the medium to long term. The goals may relate to clients and market, operations, finance, technical and legal issues.
- c) The risk evaluation shall also be carried out considering the potential of each single risk as well as risks collectively, where several risks can impact the achievement of a single business objective or a single risk can impact the achievement of several business objectives.

VII. Risk reporting and disclosure

- a) The risks to the achievement of key business objectives, the risk level, its significance and impact and the proposed mitigation action shall be reported and discussed on a periodic basis with the Management or such person as may be authorised or a Committee on Risk Management as may be constituted by the Board for the purpose.
- b) The key external and internal risk incident with potential impact shall be reported and reviewed at the appropriate forum. Periodic updates shall be provided highlighting the key risks, their impact and mitigation actions.
- c) The measures taken to minimise the risks and the progress of the mitigating actions and their effectiveness shall be periodically reviewed and discussed at the appropriate forum. The key risk factors their impact and threat to the company's business objectives and the Company as a whole shall be disclosed in the corporate report and also in the regulatory filings.

VIII. Risk mitigation and monitoring

The risk mitigation shall be on the basis of the external and internal risk indicators, the risk level and their likelihood of occurrence. The risk assessment report together with the proposed mitigation action shall be analysed in the light of potential impact of the risk. The mitigation plan will be finalised at the appropriate level keeping in view the identified risk to the business objective in the short, medium or long term. The same will be integrated with the strategy and business plan of the Company. The progress of mitigation actions and their effectiveness shall be reviewed and discussed periodically at the appropriate level.

IX. Policy Review

This policy may be reviewed and modified from time to time, as may be necessary, subject to approval of the Board.
