

RISK MANAGEMENT POLICY

1. BACK GROUND

CONTROL PRINT LIMITED (the Company) India's one of the leading player in manufacturer of Coding and Marking Machines and Consumables thereof.

'**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 process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of an entity's strategic and financial goals.

Risk management within the organization 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.

Legal Framework

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 and the SEBI (LODR), 2015 have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

As per the provisions of Companies Act, 2013, the Board is required to develop and implement a risk management policy identifying the risk factors that may threaten the existence of the company and take necessary steps to mitigate or eradicate risk to the extent feasible.

The provisions of **Section 134(3)(n)** of the **Companies Act, 2013** necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein key elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Further, the provisions of **Section 177(4) (vii)** of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems. In line with the above requirements.

Further, as per **Regulation 17 of the SEBI (Listing Obligations Disclosure Requirements)** Regulations 2015, the Board of Directors are responsible for framing, implementing, and monitoring the Risk Management plan for the listed entity.

KEY DEFINITIONS:

“Company” means “Control Print 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 Control Print 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.

Framing a Risk Management Policy

It is therefore, required for the Company to frame and adopt a **“Risk Management Policy”** (this Policy) of the Company.

This document lays down the framework of Risk Management at Control Print Limited. This document is framed under the authority of the Board of Directors of the Company.

It seeks to identify risks inherent in any business operations of the Company and provides general and specific guidelines to define, measure, report, control and mitigate the identified risks.

2. POLICY 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 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.

The primary objectives of this Policy are:

- (i) To identify risks impacting Company's Business through systematic process of risk identification by the Board or Audit committee of the Company.
- (ii) To formulate a Risk Management Policy including risk minimization and risk optimization.
- (iii) To implement controls to manage risks.
- (iv) To monitor the effectiveness of risk management controls.
- (v) To implement the Policy and report the resultant impact.
- (vi) Contributing towards more efficient use/ allocation of the resources within the organization;
- (vii) Protecting and enhancing assets and company growth.
- (viii) Reducing volatility in various areas of the business;
- (ix) Developing and supporting people and knowledge base of the organization;
- (x) Optimizing operational efficiency and technology upgradation.

3. RISK MANAGEMENT STRATEGY:

Risk Strategy

Risk is an integral and unavoidable component of business. The Company is committed to managing the risk in a proactive and effective manner. The Company believes that the risk cannot be fully eliminated. However, it can be:

- **Reduced**, by having robust internal controls.
- **Transferred** to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract, especially in relation to foreign currency transactions
- **Avoided**, by not entering into a risky business or exiting a business where risk is perceived to either be increasing or impossible to manage.
- **Retained** to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and.
- **Shared**, by following a middle path between retaining and transferring risk.
- As a matter of policy, these risks are **regularly assessed** every quarter by the management and reported to the Audit Committee and the Board and steps are taken as appropriate to mitigate the same.

4. RISK ASSESSMENT

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

5. RISK FACTORS

The risk factors can be determined on the basis of their materiality. The following factors have been considered by the company for determining the materiality:

- Some events may not be material individually but may be found material collectively.
- Some events may have material impact qualitatively instead of quantitatively.
- Some events may not be material at present but may have material impact in the future.
- In the management of risk, the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

- (i) Economic Environment and Market conditions.
- (ii) Fluctuations in Foreign Exchange.
- (iii) Political Environment.
- (iv) Competition.
- (v) Revenue Concentration.
- (vi) Inflation and Cost Structure.
- (vii) Technological Obsolescence.
- (viii) Financial Reporting.
- (ix) Treasury and Investment.
- (x) Real Estate.
- (xi) Media and Entertainment.
- (xii) Legal.
- (xiii) Misuse of Brands and trademarks.
- (xiv) Compliance with Local Laws.
- (xv) Project Management.
- (xvi) Environmental conditions and changes.
- (xvii) Human Resource Management.

RISK MITIGATION/DE-RISKING

The process of mitigation of risk is known as De-risking. The company seeks to generally mitigate risk by:

- Understanding the applicable laws and regulations
- Conducting regular risk assessments
- Enforcing and monitoring code of conduct for key executives
- Deploys strategy and process for implementing the necessary controls
- Creating a favorable atmosphere for auditors and internal auditors in reporting and highlighting any instances of non-compliance or non-adherence to prescribed procedures.

- 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.
- 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.

GENERAL MEASURES ADOPTED TO MITIGATE RISK

The Company has adopted various measures to mitigate the risk arising out of various areas described above, including but not limited to the following.

- A well-defined organization structures.
- Defined flow of information to avoid any conflict or communication gap.
- Hierarchical support personnel and inter-personal Team planning to avoid work interruption in absence/ non-availability of functional heads.
- Detailed discussion and implementation on financial planning with detailed Annual Business Plans reviewed quarterly.
- Detailed discussion and analysis of periodic budgets.
- Cash management services/Treasury Operations to avoid any loss of interest on collections.
- Measures to protect loss in Foreign Exchange transactions due to undue fluctuations in rates etc.
- Systems for assessment of creditworthiness of existing and potential contractors/sub-contractors/ dealers/vendors/ end-users.
- Provision for bad and doubtful debts, recovery management and systematic follow up.
- Documented recruitment policy and well-defined appraisal system on a periodical basis of all levels of management and staff and key management personnel.
- Employees training and self-development programs.
- Redressal of staff grievances by transparent negotiations and conciliation.
- Employees and Workmen welfare activities including ESI, EPF, Gratuity Schemes
- Vigil Mechanism Policy (Whistle Blower Policy).
- Fixed assets Insurance with periodical review of adequacy, rates and risks covered under professional advice.
- Usage of Licensed software, IT related maintenance repairs and upgradation of the systems on a continuous basis,
- Protection for data integrity by access control & restriction.
- Vetting, review, and finalization of all legal and contractual documents by internal as well as external legal experts, consultants.
- Detailed internal control systems to detect, resolve, avoid any frauds.

RISK FACTORS

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

LIQUIDITY RISK:

The Company's borrowings could pose a big liquidity risk as the loans come up for repayment and the Company does not have adequate funds for re-paying the same. At times it may be necessary to roll over the loans at higher rate of interest.

This risk is mitigated by the Company through planning its cash flows and to keep check and balance on the debt/equity position.

FOREIGN CURRENCY RISK:

The Company imports some of the required products/material. This exposes the Company to foreign exchange risks.

However, the Company looks after its entire foreign exchange exposure on required basis.

CAPITAL ASSET RISK:

Acquisition risk: The Company acquires capital assets for the purpose of its business. Indiscriminate purchase of such assets would lead to risk of assets acquired not being utilized to full capacity. The Company has laid out an Authorization Matrix duly approved by the Board which lays down approval authorizations for asset acquisition.

Asset loss risk: The Company carries the risk of pilferage of assets/loss of assets due to fire, burglary etc. The Company has adequate security arrangements to ensure assets are under proper custody and has covered all its Capital Assets under appropriate insurance policies.

INVESTMENTS IN SUBSIDIARY/IES:

The Company has significant investments in subsidiaries and runs the risk of its investments depleting in value if the subsidiaries do not perform as per business plan.

The Company has a policy whereby all investments in subsidiaries are required to be approved by the Board and further the operations of the subsidiaries are monitored by a very senior management resource who is dedicated to oversee the operations of the subsidiary/ies.

HUMAN RESOURCE RISK:

The Company's Human Resource Department (HRD) adds value to all by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence.

Risk in matters of human resources is sought to be minimized and contained by following a policy of providing equal opportunity to every employee, inculcating in them a sense of

motivation and commitment and also effectively train them in spheres other than their own specialization.

Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas, output etc.

It is strongly believed that a satisfied and committed employee will give his best and create an atmosphere that cannot be conducive to risk exposure.

The Company follows the following practices to mitigate risk:

- Functioning under a well-defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gaps between two or more Departments.
- Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.

- **TECHNOLOGY OBSOLESCENCE:**

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis. Being Manufacturer, the Company constantly keeps itself abreast of technological developments to avoid being adversely affected by obsolescence risk.

- **OTHER RISKS:**

- **Public Health Risk**

- The 2020 Covid Pandemic has led to a 90-day lock down and severely affected all activity in the country. The Company's business was also seriously affected by the black swan even which is the worst Pandemic in past 101 years. However, as part of risk management strategy a 3-Level Business Continuity Process was initiated even before the abrupt announcement of the lockdown ensuring that there was absolutely no disruption of distribution/service activity anywhere within the operating network of the Company enabling a high level of essential service and ensuring no loss.

- **Political environment**

Any adverse change in the political environment in the country would have an impact in growth strategies of the Company However, considering the basic political philosophy, the company constantly reviews its existing and future investment strategies on a continuous basis.

- **Reporting risks**

Changing laws, regulations and standards relating to accounting, are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations.

Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such Corporate Governance standards.

The Company subjects itself to exhaustive quarterly review of its financial statements by the Audit Committee and has ensured the presence of a strong and competent finance team headed by an Executive Director/CFO to take care of adherence to all accounting standards, Companies Act and SEBI compliances and all other reporting requirements.

- **Legal/Regulatory and Compliance Risk**

Legal risk is the risk in which the Company is exposed to legal action. The Company is governed by various laws and regulations and has legal risk exposure.

Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure the company's total compliance.

Advisories and suggestions from professional agencies, industry bodies and independent directors are carefully studied and promptly acted upon wherever relevant.

Active participation by top management in industry fora ensures that the Company remains abreast of various developments and also ensures its voice is heard and viewpoint considered when new regulations are introduced or amended.

ROLE OF THE BOARD/AUDIT COMMITTEE

The Board or Audit Committee shall maintain an oversight and monitor the effectiveness of internal controls and risk management activities of the Company.

The Board or Audit Committee will be responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective Risk Management Framework.

6. DISCLAIMER CLAUSE

The Management cautions 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. Therefore, each person is requested to exercise own judgment in assessing various risks associated with the Company.

7. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company depending on various circumstances.

For and on behalf of Control Print Limited