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GEMINI EDIBLES & FATS INDIA LIMITED

RISK MANAGEMENT POLICY

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RISK MANAGEMENT POLICY AND PROCEDURES

1. INTRODUCTION

Organizations of all types and sizes face internal and external factors and influences that make it uncertain whether and when they will achieve their business objectives. The effect of this uncertainty on an organization's objectives is "RISK". In recent times all sectors of the economy have shifted focus towards the management of risk as the key to making organizations successful in delivering their objectives while protecting the interests of their stakeholders. Risk may be defined as events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

Organizations that are most effective and efficient in managing risks to both existing assets and to future growth will, in the long run, outperform those that are less so. Simply put, companies make money by taking intelligent risks and lose money by failing to manage risk intelligently.

Risk management is a holistic, integrated, structured and disciplined approach to managing risks with the objective of maximizing shareholder's value. It aligns strategy, processes, people & culture, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value.

With the vision to integrate risk management with the overall strategic and operational practices, an Enterprise Risk Management Framework has been established by Gemini Edibles & Fats India Ltd (**"the Company"**), as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization. The Board has adopted this Risk Management Policy at its meeting held on July 23, 2021.

2. SCOPE AND EXTENT OF THE POLICY

The policy guidelines are devised in the context of the present business profile, future growth objectives and new business endeavors / services that may be necessary to achieve goals & the emerging new best practices & standards amongst the similar organizations. This policy covers all the likely events within the company or outside the company which may have a bearing on the company's business.

3. DEFINITIONS

"Risk" shall mean events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

"Risk Management" shall mean the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

"Risk Management Committee" shall mean Board nominated committee consisting of Directors and authorized to frame, implement, amend, ensure effective monitoring of mitigations of risk and approve the risk management policy for the company.

4. RISK MANAGEMENT FRAMEWORK

Risk management will protect and add value to the organization and its stakeholders through supporting the organization's objectives by improving decision making, planning and prioritization by comprehensive and structured understanding of business activity, volatility and project opportunity/threat.

It will provide a framework that enables future activity to take place in a consistent and controlled manner. The framework will help in creating an environment in which risk management is consistently practiced across the Company and where Management can take informed decisions to reduce the possibility of surprises.

The components of risk management are defined by the Company's business model and strategies, organizational structure, culture, risk category and dedicated resources.

An effective risk management framework requires consistent processes for assessment, mitigation, monitoring and communication of risk issues across the organization.

Essential to this process is its alignment with corporate direction and objectives, specifically strategic planning and annual business planning processes. Risk management is a continuous and evolving process, which integrates with the culture of the Company.

5. RISK MANAGEMENT APPROACH

At GEF, systematic approach is adopted to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. Company strongly believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

The Company's objectives can be viewed in the context of four categories:

i. Strategic,
ii. Operations,
iii. Reporting and
iv. Compliance.

These categories are interrelated and the enterprise wide risk management can be analyzed with the focus on three key elements of risk management-:

i. Risk Assessment;
ii. Risk Management;
iii. Risk Monitoring.

Risk Assessment

To meet the stated objectives, it is imperative to make effective strategies for exploiting opportunities and as a part of this GEF has identified key risks and developed plans for managing the same.

Organizational Objectives:

Strategic:

a) Organizational growth.
b) Comprehensive range of products.
c) Sustenance and growth of strong relationships with customers.
d) Expanding presence in existing markets and penetrating new geographic markets.
e) Continuing to enhance industry expertise.
f) Enhancing capabilities through technology alliances and in house product related developments.
g) Forward integration for value added products.

Operations:

a) Consistent revenue growth.
b) Consistent profitability.
c) High quality productivity.
d) Developing culture of innovation.
e) Attracting and retaining human talent and augmenting their training.

Reporting: Maintaining high standards of Corporate Governance and public disclosure.

Compliance: Ensuring stricter adherence to policies, procedures and laws, rules, regulations and standards. The objectives of GEF are subject to risks that are external and internal as enumerated below.

External Risk factors	**Internal Risk factors**
Economic Environment and Market Conditions	Financial Reporting Risk
Fluctuations in Foreign Exchange	Contractual Compliance
Political Environment and Government Policies	Compliance with Local Laws
Competition	Quality and Project Management
Revenue Concentration	Environmental Management
Inflation and Cost Structure	Human Resource Management
Technology Obsolescence	Culture and Values
Risk of Corporate Accounting Fraud	

Risk Management and Risk Monitoring

In principle, risk always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The discussion given below embraces the company's risk identification and mitigation strategies like risk control, avoidance, etc.

Economic Environment and Market conditions:

The company primarily markets its products in the states of Andhra Pradesh, Telangana, Odisha and Karnataka. Consequently, most of the revenues are derived from the customers primarily located in these regions and thus any economic slowdowns or factors that affect the demand of the customer's from these geographical regions may also pose risks to company's revenue growth.

While a significant proportion of the revenues are derived from the customers from a limited geography so GEF's strategy is to seek expand and develop new customer base and at the same time secure additional contracts from existing customers. Historically, the strength of its relationships has resulted in significant recurring revenue from existing customers.

To counter pricing pressures caused by market volatility, GEF strives to hedge its price exposures as per laid down guidelines and also continues to take initiatives to improve quality control aside cost reduction & cost control initiatives.

Fluctuations in Foreign Exchange

GEF's functional currency is Indian rupee; however, a major portion of the business is transacted in Dollars and, accordingly, faces foreign currency exposure for purchases from overseas suppliers in U.S. dollars.

GEF is exposed to substantial risk on account of adverse currency movements in global foreign exchange markets. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate in the future also.

The risk on account of foreign currency fluctuations is managed through hedging.

GEF purchases USD under forward foreign exchange contracts / utilizes options or currency futures to mitigate the risk of changes in foreign exchange rates on cash flows denominated in U.S. dollars. It has adopted a policy to hedge the USD INR exposure until the maturity of the liabilities.

Political Environment and Government Policies

Any adverse change in the political environment of the countries from where the company originates its raw materials or in India, or any significant changes in the government policy / ies affecting the imports / operations of the company would have an impact on its growth strategies.

Risks that are likely to emanate are managed by constant engagement with the Government of the day, reviewing and monitoring the country's industrial, labour and related policies and involvement in representative industry-bodies.

Competition

The edible oil industry is rapidly consolidating at the moment and is highly competitive, and GEF expects that competition will continue to intensify.

GEF believes that it is strongly placed to further consolidate its market position as a leader in the geographical areas it operates due to its competitive strengths which include:

a) Comprehensive range of products backed by quality
b) Specialized industry expertise
c) Strong relationships with blue chip customers.
d) Track record of high quality products and order execution

Revenue Concentration

High concentration in any single business segment exposes the company to the risks inherent in that segment. The quest for diversified activities within the existing realm of overall management after due consideration of the advantages and disadvantages of each activity is consistent with company policy of increasing business volumes with minimum exposure to undue risks.

Concentration of revenue from any particular segment of industry is sought to be minimized over the long term by careful extension into other activities.

Technological Obsolescence

GEF believes that Technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and necessary investments are made to bring in the best of the prevailing technology for processing and packing facilities.

GEF has initiated various other measures to improve efficiency and technological performance.

Risk of Corporate accounting fraud

Accounting fraud and corporate accounting fraud are business scandals arising out of misusing or misdirecting of funds, overstating revenues, understating expenses etc.

GEF mitigates this risk by

a) Understanding the applicable laws and regulations Conducting risk assessments
b) Enforcing and monitoring code of conduct for all employees
c) Instituting Whistleblower mechanisms
d) Deploying a strategy and process for implementing the new control. Adhering to internal control practices that prevent collusion and Concentration of authority.
e) Employing mechanisms for key transactions with cross checks
f) Scrutinizing of management information data to pinpoint dissimilarity of comparative figures and ratios.
g) Creating a favorable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organization and assigning responsibilities for leaving the overall effort to a senior Individual like Head-Finance & Accounts.

Financial & Regulatory Reporting risks

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations create challenges for remaining fully law compliant for Indian 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.

GEF is committed to maintaining high standards of corporate governance and public disclosure and its efforts to comply with evolving laws, regulations and standards in this regard would further help address these issues.

The preparation of financial statements in conformity with IND AS requires the company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks. GEF believes that the accounting policies related to revenue recognition and Accounting for Income taxes are significant.

<u>Contractual Compliance</u>

Contracts with customers typically contain quality indications and delivery period and non- adherence of which could result cancellation of the contracts or penal costs. Additionally, there will be other obligations and general corporate legal risks.

GEF has an experienced team of professionals, who focus on evaluating the requirements of the contracts and prepare an operations plans according to customer requirements. The evaluation is regularly monitored and controlled and thus risks involved in a contract is mitigated by ensuring the timely deliveries of products as per contract specifications.

<u>Compliance with local laws</u>

GEF is subject to additional risks related to its expansion strategy, including risks related to complying with a wide variety of laws of the land, restrictions on the import/export of goods, technologies and possibly overlapping tax structures. Company has put in place a robust process with the help of field experts & consultants. To further this, Company has a system of centrally monitoring status of compliances of all applicable laws and on going litigations and tracking compliances and replies to show cause or other notices to respective authorities within the required time frame.

<u>Quality and Project Management</u>

GEF established an impeccable record of consistently high product quality and service to customers. The Management is totally committed to quality - right from receipt of raw materials to dispatch of finished products.

Critical elements for the success of the GEF's delivery model, are well established quality management systems and sophisticated project management techniques. As an integral part of the processes, company has established a strict quality assurance and control program.

<u>Environmental Management</u>

GEF endeavors to protect the environment in all its activities, as a social responsibility.
Extensive plantations of trees inside the plants are undertaken for green belt development to keep the pollution at lowest level. The Environmental Management System adopted by the company at its Plants is in line with the International Standards “ZLD”.

<u>Human Resource Management</u>

Human Resources (HR) Department ensures that right person is assigned to the right job and that they grow and contribute towards organizational excellence at all levels. Risk in matters of human resources are sought to be minimized and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialization.

Company's ability to successfully execute turnkey projects and to develop new customers depends largely on its ability to attract, train, motivate and retain highly skilled professionals, particularly in production and sales.

Company's growth has been driven by its pool of talented human resources and the ability to engage them. To attract, retain and motivate the entire Team, GEF seeks to provide an environment that rewards entrepreneurial initiative, continuous learning, fosters collaboration and performance. Employees are encouraged to make suggestions on innovations, cost saving procedures, exchange of ideas related to manufacturing procedures etc.

GEF provides competitive salaries and benefits as well as incentives in the form of perquisites along with welfare measures for the employee and his family to motivate performance.

Culture diversity

GEF has various manufacturing facilities located in different geographical locations and people belonging to different culture and values are employed in those manufacturing facilities. Managing risk consistently among multi-cultural workforce is very critical.

Company has implemented a code of conduct for Directors, Senior Management personnel and employees. These policies are disseminated on its website and affirmations have been obtained from all concerned to ensure compliance. Organization also ensures right information flow from time to time so that everyone is aware of same.

The GEF's core values comprise:

a) Integrity
b) Positive Attitude
c) Commitment
d) Continuous Improvement
e) Innovation
f) Loyalty

The core values are guiding parameters for all organization-wide initiatives and support in creating the DNA of the organization. Further, company's website, www.gefindia.com provides an overview of the organization's direction, design, culture, processes, product range, policies and practices. This site, which is updated periodically, is accessible to the public Roles and Responsibilities of Internal Risk Management Committee.

6. STRUCTURE:

At GEF, Risk Management is supervised by way of constitution of board approved "Risk Management Committee" (RMC). RMC is an independent body, which reports directly to Board of Directors.

Objective: The primary objective of Risk Management is to control risk incurred by GEF with a view to preventing unacceptable losses, to provide an effective means of identifying, measuring and monitoring credit exposures incurred by it, and to keep such risk at or below predetermined levels. The focus is to monitor, analyze and manage risk levels stemming from inadequate controls and or business disruptions.

Mechanics: Risk Management is responsible for measuring various risk levels and ensuring that the Business Units and their products are within limits assigned by the company's management in accordance with the company's guidelines.

The responsibility for determining the acceptable levels for each risk and for assuring that the above risk objectives are met rests with GEF's Senior Management on the recommendation of Internal Risk Management Committee.

Responsible departments may execute transactions only within their product authority, which is determined by the Board of Directors and within predetermined limits, established by RMC and customized for each product. Existing positions and exposures are regularly compared by managers and by RMC with the predetermined limits.

7. RESOURCES:

Risk Management has at its disposal a variety of systems for measuring and monitoring risk and employs statistical techniques for aggregating risks as applicable. Risk Management information systems compare established transaction limits with actual positions to monitor compliance with set procedures. Risk Management can also access systems to allow for monitoring of business transactions and for performing scenario analyses.

8. RESPONSIBILITIES:

RMC has responsibility, among other duties, for the following functions:

i. developing and documenting GEF's Risk Management policies and procedures which has been adopted by the Board of Directors;
ii. allocating and applying the Risk Management Policy throughout the group, by setting market, credit, and process limits among the core business units and in the aggregate;
iii. monitoring market, credits and process risk exposure, in the aggregate and by core business unit and by counter parties;
iv. reviewing, approving and documenting market, credit and process, exceptions thereto and monitoring and all product areas, and modifying or establishing new methods enforcing for of operations as market conditions require;
v. reviewing, approving and documenting valuation models;
vi. in cooperation with Audit, Finance and appropriate business management, developing policies for capital allocation and the determination of reserves;
vii. regularly subjecting market, credit and process risk components to "worst caseloss" scenario analysis;
viii. regularly reporting to the Managing Director and the Board of Directors regarding the company's market risk, credit exposures and process risk;
ix. reporting to Business Unit, Managing Director and Senior management with respect to violations and potential internal disciplinary actions.

9. RISKS SPECIFIC TO THE GEF AND THE MITIGATION MEASURES ADOPTED

Volatility in Edible Oil Prices:

Based on experience gained from the past, GEF is able to do the business in volatile environment by keeping the sustainability in its approach. Sales & Procurement are interlinked in the form of natural hedging to mitigate the price fluctuation risks. Entire cycle is predicted considering the supply and demand during a particular period and accordingly supply is planned and adjusted. Risks which a business may face in this scenario are:

i. Low margin risk
ii. Down trend of procurement
iii. Blockage of working capital

Risk mitigation measures:

a) GEF is maintaining set inventory levels at each plant
b) Procurements are done on centrally.
c) Sales orders are executed on
d) Commodity hedging is undertaken through forward contract or options or futures as per hedging policy of the company.

Business Operations Risk:

These risks relate broadly to the GEF's organization and management, such as planning, monitoring and reporting systems in the day-to-day management process namely:

i. Organization and management risks,
ii. Production, process and productivity risks,
iii. Business interruption risks,
iv. Profitability risks

Risk mitigation measures:

a) GEF functions under a well-defined organization structure.
b) Flow of information is well defined to avoid any conflict or communication gap between two or more Departments. Internal Online communication system is there for free flow of information at all levels.
c) Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
d) Sufficient stock of raw materials is kept to ensure continuous production.
e) Effective steps are taken to keep the cost of production at minimum levels
f) Process flow charts are defined for users.
g) Productivity per hour/per batch is defined to identify any in efficiency.
h) Strong HR Department to maintain excellent and cordial relations at all levels of employment.

Liquidity Risks:

i. Financial Solvency and liquidity risks
ii. Borrowing limits
iii. Cash management risks

Risk mitigation measures:

a) Proper financial planning is put in place.
b) Annual Budgets are prepared and reviewed monthly for Variance Analysis to have better financial planning.
c) Daily, monthly cash flows are prepared
d) Exposure to Foreign Exchange transactions are supported by suitable hedging policy where ever applicable.

Credit Risks

i. Risks in settlement of dues by clients.
ii. Provision for bad and doubtful debts

Risk mitigation measures:

a) Systems put in place for assessment of creditworthiness of Customers
b) Provision for bad and doubtful debts made to arrive at correct financial position of the GEF.
c) Appropriate recovery management and follow up.

Market Risks/ Industry Risks:

i. Demand and Supply Risks
ii. Quantities, Qualities, Suppliers, lead time
iii. Raw material rates
iv. Interruption in the supply of Raw material

Risk mitigation measures:

a) Raw materials are procured from different sources at competitive prices.
b) Alternative sources are developed for uninterrupted supply of raw materials.
c) Demand and supply are external factors on which company has no control however GEF plans its production and sales from the experience gained in the past.

d) Quality control procedures are in place.
e) Quality claim clauses in the contract.
f) Proper inventory control systems have been put in place.
g) Setting up of Strategically geographic locations for collection of raw material

Human Resource Risks:

i. Employee Turnover Risks, involving replacement risks, training risks, skill risks etc.
ii. Unrest Risks due to Strikes and Lockouts

Risk mitigation measures:

a) GEF has proper recruitment policy for recruitment of personnel at various levels in the organization.
b) Proper appraisal system to give yearly increment is in place.
c) Various incentive schemes are there to keep the employees motivated.
d) Employees are trained at regular intervals to upgrade their skills.
e) Activities relating to Welfare of employees are undertaken for work life balance.
f) Proactive employee welfare initiatives

Disaster Risks:

i. Natural risks like Fire, Floods and Earthquakes etc.

Risk mitigation measures:

a) The property of GEF is insured against natural risks like fire, flood, earthquakes
b) Fire extinguishers have been placed at fire sensitive locations.
c) First aid training is given to watch and ward staff and personnel.
d) Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen

Government Regulations

i. Government policies may affect the growth of the company

Risk mitigation measures:

We need to continuously monitor the government discussions and decisions and alter the growth strategies accordingly. We also need to participate in discussion through the association or directly to register our concerns with the relevant authorities.

Legal Risks:

i. Contract Risks
ii. Contractual Liability
iii. Frauds
iv. Legal risk is the risk in which the GEF is exposed to legal action. It is governed by various laws and has to do its business within four walls of law, where the company is exposed to legal risk exposure.

Risk mitigation measures:

a) GEF has engaged professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved, to meet the general and specific requirements so that they can ensure adherence to all contractual obligations and commitments.
b) 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 company's total compliance. The suggestions and recommendations from professional agencies and industrial bodies, chambers of commerce etc., are carefully analyzed and acted upon wherever relevant.
c) Company has established a compliance and litigation monitoring system in the organization and Compliance Officer Company Secretary ensures the submission of the quarterly compliance reports by functional heads for placing the same before the Board. A study of contracts has always been done with focus on contractual liabilities, deductions, penalties and interest conditions.
d) The Legal & Secretarial department and the Legal Advisors vet the documents.
e) Contracts are finalized as per the advice from legal professionals and Advocates.

f) Timely payment of insurance and full coverage of properties of the company under insurance.
g) Internal control systems for proper control on the operations of the company and to detect any frauds.

Foreign Exchange and Interest Rate Risk Management:

Exposures:
The Company has exposures on account of imports, income and expenditure in foreign currency which is affected by currency movements, interest rate movements etc. This often implies a degree of uncertainty in terms of the effect on financial results and the company's ability to execute transactions on future dates with similar profit levels as envisaged at the onset.

Risk Identification:
Forex Exposure is identified basis the difference in the currency exposure in assets and liabilities of the company and adjusted for net impact of open commodity contracts.

Risk Measurement:
Risk has two components, exposure and uncertainty. This uncertainty would be on account of unpredictability of future events. Risk arising on account of movement in the exchange rates of all relevant currencies where the company has exposure in terms of foreign currency denominated cash flows & foreign currency denominated assets/liabilities.

Financial impact due to potential changes of exchange rates has to be quantified for each foreign currency exposure separately. Risk is to be quantified based on the shift of the spot exchange rates at the time of the volatility of the currency pair.

The evaluation will be done based on the total booked and anticipated transaction exposure (no netting of outstanding hedge deals) for the next 12 months (rolling).

Risk Mitigation Controls:
Risk limitation or reduction is the prime objective in framing the policy.

Company's bankers / advisors are consulted and suitable exposures in the form of USD borrowings and other instruments are evaluated to mitigate exchange rate fluctuations & interest rates.

Currency hedging is done in terms of forward contracts / currency futures / options as per hedging policy of the company.

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 in having a complete I proper management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the GEF.

By Order of the Board
For **Gemini Edibles & Fats India Limited**

Pradeep Kumar Chowdhry
Managing Director
DIN: 01154121

Place: Hyderabad
Date: July 23, 2021