RISK MANAGEMENT POLICY

BACKGROUND AND CONTEXT APPLICABILITY:

DWARIKESH SUGAR INDUSTRIES LIMITED ("Company") recognizes risk management as a fundamental component of its business operations. Risks are such events or conditions that has a harmful or negative impact on the organizational goal or its business objectives. Exposure to the consequences of uncertainty constitutes a risk. Effective risk management ensures business continuity, protects stakeholder interest, and enhances operational efficiency in the dynamic manufacturing sector.

The Company's Risk Management Policy ("the Policy") outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

This policy is framed as per the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, (LODR) and any relating amendments made thereof. This policy is duly approved by the Board of Directors and will be effective from May 22, 2025.

OBJECTIVE AND SCOPE, REGULATORY FRAMEWORK OF THE POLICY: OBJECTIVE AND SCOPE:

Risk Management is the responsibility of every member of the Organisation and requires continuous efforts on their part.

The objectives of this Policy are:

(a) To ensure that all the current and expected material risks including ESG risks to which the Company may be exposed are identified, assessed, quantified and appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

(b) To establish a framework for the Company's risk management process and to ensure its implementation.

(c) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

(d) To establish and integrate risk management in the overall culture of the Organization.

1. APPLICABILITY & SCOPE

This Policy applies to all areas of the Company's operations. This Policy sets out the detailed requirements and minimum levels of achievement necessary to implement the risk management elements of the business. This policy facilitates management of all risks associated with our activities which may be internal or external in nature and emphasizes on minimizing the impact of undesired and unexpected events or risks.

2. KEY DEFINITIONS

The key definitions for this policy follow:

Risk

The chance of something happening that will have an impact on the achievement of the Organizations' objectives.

Risk Assessment

The systematic process of identifying and analysing risks, which shall cover Risk Identification and Categorization, Risk Description and Risk Estimation.

Risk Management

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect the achievement of a corporation's strategic and financial goals.

3. RISK MANAGEMENT FRAMEWORK

3.1 Risk Assessment

Risk assessment consists of the following steps:

3.2 Risk Identification:

Risk identification consists of determining which risks are likely to affect the Company. and documenting the characteristics of those risks. Risk identification is an iterative process (it is not a one-off event, but must be repeated on a periodic basis) and should address both internal and external risks to the Company. A well-structured systematic process is critical as a risk not identified at this stage may be excluded from further analysis. The aim is to develop a comprehensive list of sources of risk and events that might have an impact on the Company's objectives or outcomes. It is important to describe the risk clearly. When describing a risk event, it is important to outline how the risk event might happen, why the risk event may happen, and who or what it may happen to.

3.3 Risk Categorization:

Risks are classified according to the source of their primary root cause. Classifying risks according to source enables the management to understand the aggregate impact of each risk and prioritize response strategies.

The few risks are identified below may affect the Company. However, this list below is illustrative, and the Company may also be exposed to other risks:

S.No.	Risk identified	Type of Risk	Rationale for identifying the risk	Approach to adapt or mitigate
1	**Corporate Governance and Ethical Business Practices**	Internal & External – Compliance and Sectoral Risks	As a risk, poor corporate governance can lead to legal, financial and reputational damage.	We uphold a comprehensive code of conduct, ensure internal audits, maintain a robust governance framework, and promote transparency.
2	**Farmer Engagement**	External – Operational and Sustainability Risks	Supply chain disruptions due to farmer-related issues can affect operations.	We provide subsidies, training, and fair compensation, fostering long-term partnerships.
3	**Economic Performance**	External – Sectoral Risk and Business Continuity Plan	Regulated Sugar prices affect profitability.	We focus on ethanol productions, co-generation, cost efficiency, and engaging with government bodies to address regulatory challenges.
4	**Water Management**	External – Strategic and Sustainability Risks	Vulnerability to water scarcity can disrupt operations.	We implement water reduction initiatives, rainwater harvesting, sustainable practices, and

				closely monitor water usage.
5	**Labour Practices**	Internal – Strategic and Operational Risks	Poor practices can lead to legal issues and high turnover. Employee safety concerns due to Hazardous operations.	We comply with wage regulations, promote diversity and provide development programs. We have set up a safety committee, provide safety gear and conduct regular health checkups to minimize accidents.
6	**Climate Risk & Raw Material Sourcing**	External – Sustainability Risk	Climate change can reduce crop yields and disrupt operations. Dependence on sugarcane, perishable crops affected by climate conditions, infestation by red-rot & other diseases.	Although, it is not possible for us to tackle climate change related risk, we will make sure that our production process is not hampered, and timely production and delivery of products is ensured. We are also introducing resilient crop varieties to combat adverse weather impacts.
7	**Statutory Risks**	External - Compliance and Sectoral Risks	Vulnerability to regulatory changes, especially in molasses and ethanol regulations.	We optimize production efficiencies and implement cost-cutting measures to mitigate impacts.
8	**Demand Supply risk**	External & Internal - Sectoral Risk and Business Continuity Plan	Oversupply can depress prices.	We ensure quality and diversity of products and explore export opportunities to maintain market stability.
9	**Technical Risk**	Internal - Information technology Risk	Potential mechanical failures could disrupt production.	We conduct regular maintenance, enforce safety protocols and cover our risk through insurance policies.
10	**Working Capital Risk**	Internal – Finance Risk	High inventory levels require optimal capital availability.	Diversification into ethanol and power generation enhances liquidity and operational efficiency.

11	**Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:**	External – Strategic, Finance and Sectoral Risks	Exposure to commodities and exchange rate fluctuations.	We try to not hedge any exposure using commodity derivatives.
12	**Credit Risk**	External – Finance Risk	Default risk from counterparties.	Our sales are primarily on instant payment basis, and we mitigate risk through cash credit facilities and short-term financing options.
13	**Liquidity risk:**	Internal & External - Strategic, Finance and Sectoral Risks	Maintaining balance between funding and operational flexibility.	We strive to maintain an optimal balance between funding stability and financial flexibility through a mix of term loans, cash credit facilities, short term loans, and other financing instruments.
14	**Locational**	Internal - Sectoral Risk and Business Continuity Plan	Proximity to cane farms is essential to minimize costs.	Our plants are strategically located within fertile regions ensuring minimal harvest to crush time and high recovery.
15	**Internal Audit Issues**	Internal – Compliance Risk	Identified issues may require corrective action.	We actively engage with internal auditors to address any areas needing improvement.

3.4 Risk Analysis and Prioritization:

The Company recognises that risk estimation can be quantitative, semi-quantitative, or qualitative and will be essentially driven in terms of probability of occurrence and possible consequence. To overcome the same, all business decisions will be made with the prior information and acceptance of risk involved. All employees of the Company shall be made aware of risks in their respective domains and their mitigation measures.

3.5 Risk Evaluation:

Risks are evaluated based on financial consequences and operational impact to prioritize mitigation strategies. The risk rating criteria will be reviewed by the Audit Committee and Risk Management Committee before being approved by the Board of Directors.

- Quantitative Assessment: Risks are rated based on financial consequences, including revenue impact, cost escalation, and profitability erosion.

- Qualitative Assessment: Risks are assessed based on operational efficiency, supply chain disruptions, regulatory compliance challenges, and reputation impact.

3.6 Risk Strategy

In order to achieve the effective Risk mitigation strategy, following framework shall be used:

a. **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

b. **Risk Transfer:** Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

c. **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss. d. Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible.

3.7 Risk Response:

The Company adopts a structured approach to risk response by identifying existing mitigation measures and determining additional controls where necessary. Responsibilities for risk management are clearly defined, and appropriate risk response plans are formulated and approved. The effectiveness of these measures is continuously monitored to ensure resilience in business operations.

This risk management policy is aligned with industry best practices and aims to safeguard the Company’s operational, financial, and human resource stability in the dynamic sugar manufacturing sector. The risk mitigation measures adopted by the Company shall be effective in the long-term and to the extent possible be embedded in the business processes of the Company. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in Company's strategy.

In the event of dealing with the high impact and high velocity risks, a business continuity plan should be placed into action at all locations. The Business Continuity Plan may be formulated on below lines and be made aware to all the employees and management:

- the key business functions that need to get operating as quickly as possible and the resources needed to do so;
- the roles of individuals in the emergency;
- consider whether there is need to give staff specific training to enable them to fulfil their responsibilities in an emergency situation and ensure all employees are aware of what they have to do;
- keeping major contact details hand and accessible for all employees;
- keeping maps of the premises layout handy and easily accessible to help emergency services;
- dealing with Media and Statutory Authorities;
- any other based on the Emergency.

3.8 Risk Monitoring

Risk monitoring and reporting consists of providing the Audit Committee, Risk Management Committee and Board of Directors with information on the Company's risk profile and the status of risk response plans.

- **<u>Roles and Responsibilities</u>**

  Every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

Level	Key roles & responsibilities
Board of Directors	Oversee risk assessment and prioritize key risks which can act as hindrance in achievement of organizations strategic business objectives. Assignment of responsibilities in relation to risk management is the prerogative of the Chairperson / Managing Director or the Board. The Board shall at least once in a year to review the top risks faced by the Company and the status of their mitigation plan.

Business Heads	Business Heads shall have the prime responsibility for the management of risk in their business unit. They shall ensure all the contractual obligation, deviation from them may result in serious risk on the respective project and overall profitability of the Organisation. This includes the identification of risks and actions that mitigate these risks while supporting the business to achieve its objectives.
Internal Auditor	The Internal Audit will provide advice to the relevant Risk Management Committee on risk management matters pertaining to the Company's financial stability and to occupational health and safety and workers' compensation issues.
Audit Committee (AC)	(a) Provide directions and evaluate the operation of the Risk management program; and (b) Review risk assessments prepared. (c) The Audit Committee shall at least once a year oversee the risk management and internal control arrangements and shall also evaluate internal financial controls and risk management systems of the Company.
Risk Management Committee (RMC)	(1) To formulate a detailed risk management policy which should include: (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee. (b) Measures for risk mitigation including systems and processes for internal control of identified risks. (c) Business continuity plan. (2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company. (3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems. (4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity. (5) To keep the board of directors informed about the nature and

	content of its discussions, recommendations and actions to be taken. (6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee. (7) The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors. (8) To oversee cybersecurity, monitor and reviewing cyber security activities, and ensuring the organization's cybersecurity policies are effective. (9) The risk management committee shall meet at least twice once in a financial year.

- **<u>Communication and Consult:</u>**

Communication facilitates a holistic approach to identifying, assessing, and managing risk and facilitates the development of a culture where the positive and negative dimensions of risk are openly discussed. Involving stakeholders in the risk management process across management hierarchies of the Company would create an environment where discussion of risks and the associated response strategies are viewed as an integral part of decision making.

Effective risk management also incorporates the input of different perspectives to balance intrinsic human biases in the understanding of risk. The Company Secretary & Compliance Officer, in consultation with the senior management and business heads, will be responsible for handling the communication and grievances channels.

- **<u>Training and Awareness:</u>**

The Board of Directors aims to ensure that:

- Emphasis is given on training on risk management to improve process controls.
- All employees at all levels are aware of and understand the organization's approach to risk management.
- All employees at all levels in the organization understand the basic concepts and benefits of risk management in their respective areas and apply the risk management principles in day-

to-day operations.

- The training will be held periodically and on topics which the Board, in consultation with Internal Auditor & senior management may deem fit & necessary.

4. REVIEW

The Policy should be reviewed once every two years by the Risk Management Committee. Any changes or modification to the Policy shall be recommended by the Committee and be placed before the Board of Directors for approval.

Issuing Authority: Approved in Board meeting held on May 22, 2025

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