RISK MANAGEMENT POLICY

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1. BUSINESS FUNDAMENTAL

Epigral Limited ('Epigral' / 'the Company') is one of the leading manufacturers & exporters of Chlor-alkali and its Derivatives ranging from manufacturing of Caustic Soda, Chlorine, Hydrogen, Caustic Potash, Chloromethane and Hydrogen Peroxide that are used in many vital Industries naming few such as Alumina, Textile, Crop Protection, Refineries, Pharmaceutical, Paper & Pulp, Dyes & Pigments, Soap & Detergent, Refrigerant Gases and many other.

Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, ("the Listing Regulations") have directed top 1000 listed entities of India by market capitalization to lay down procedures to inform the Board about the risk assessment and minimization procedures. The procedures need to be reviewed periodically to ensure that senior management of the Company controls risk through various means of a properly defined framework.

Section 177 of the Companies Act, 2013 ("the Act") has defined the terms of reference for Audit Committee and one of the terms of reference is to evaluate internal financial controls, risk management systems, environmental risk pertaining to handling, storage and disposal of hazardous substances and wastes

Apart from above, the Company is also subject to various risks namely financial, technological, personnel, reputational, regulatory, etc.

2. BUSINESS COMMITMENT

In backdrop of business undertaken by the Company & Risk associated, Risk Assessment and Management Plan needs to be formulated to address any kind of emergencies by timely identifying potential threats and implementation of effective remedial measures and control methods.

3. REGULATORY FRAMEWORK

The Companies Act 2013 and SEBI Regulations have placed additional responsibilities on the Board of Directors and Management to have structured Enterprise-wide Risk Management policy which is reviewed and reported periodically including;

- The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company

- The 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

- Independent directors should satisfy themselves that systems of risk management are robust and dependable. The Board of the Company is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems.

4. RISK MANAGEMENT – CONTROL FRAMEWORK

The Board of Directors shall form Risk Management Committee in terms of the Listing Regulations and shall define the terms of reference for functioning of the said Committee. However, Audit Committee shall be entrusted with the responsibility of periodic evaluation of risk management plan and provide insight and direction to the Risk Management Committee.

In addition to above, Business Managers being best positioned to identify and evaluate the risks and manage them on a day to day basis, the primary responsibility rest with them for identification, assessment, management and reporting of risks and opportunities to Risk Management Committee.

5. RISK MANAGEMENT PLAN / PROCESS

Sustainability and Growth are basic fundamental of any business entity which always comes with certain risks, whether internal or external, that a Company need to identify, assess, prioritize and have in place appropriate plans to mitigate the said risks.

With this objective, following few risks generally faced by the industry in which the Company operates are is classified hereunder, which among other includes:

1) Environmental Risks: timely compliances and adherence to environmental laws / measures to be undertaken.

2) Financial Risks: foreign currency fluctuations, capex / working capital / credit requirements/ projections/basic assumptions for projects going wrong.

3) Technological Risks: consistent upgradation of technology to maintain sustainability / cost.

4) Geographical Risks: maintaining proper mix of purchase / sales in local and export market, availability of infrastructure for transportation of products.

5) Regulatory Risks: adherence to changing government policies having reference to state, central or international laws.

6) Human Resource Risks: health & safety, high attrition rate, incompetence.

7) Cyber Security Risks: leak of confidential information / data privacy / virus attack, hacking of website.

8) Foreign Exchange Risk: - Fluctuations in rates of the Company's functional currencies in respective markets vis-a-vis global currencies like US Dollars or Euro,

9) Inflation and cost structures,

10) Technological obsolescence,

11) Vulnerabilities in digital infrastructure and Cyber threats,

12) Financial reporting,

13) Corporate accounting fraud,

14) Compliance with local laws, rules and regulations,

15) Delay in approval of critical new products, impacting future growth prospects

16) Challenges with respect to maintaining the quality of products and services,

17) Project quality, implementation and delay in commissioning,

18) Human resources management, local cultures.

Risk identification and mitigation is a continuous process that facilitates the Company to have in place effective framework for taking timely and informed decisions about risks and at the same time minimize the adverse consequences on business performance.

The Company has accordingly outlined four key process to be performed on continuous basis:

A. Risk Identification

Identification of risks is the first step towards its mitigation to help the Company to be prepared for any unforeseen events that may hamper the performance and business of the Company. Since identification is a macro level event, the process starts at each functional level based on internal process, research, external factors, operating plans / strategies and management level inputs.

B. Risk Assessment

Once the risks are identified, the functional heads in co-ordination with Committee need to assess the risks based on the prioritization and criticality to the business of the Company. Likelihood and impact of risk events should be assessed for the purpose of analysing the criticality at all levels of the organization, viz., enterprise level, respective company or division level and unit or location level.

Risk events assessed and rated as "High" must have risk mitigation strategy and a properly laid out plan for its implementation; while "Medium" and "Low" risk events need to be tracked and monitored as a watch list. Detailed guidelines and criteria for rating and categorization of risks into "High", "Medium" and "Low" will be formulated by RMC.

C. Risk Mitigation:

- The Company believes that while not all risks can be eliminated, they can either be:
- transferred, by buying an insurance policy or entering into forward contract, or shared, by following right strategy to own and transfer the risks, or
- retained, by owning the risk and still reducing their impact by ensuring effective internal controls.

The Company's risk management framework has been designed to manage any adverse impact of strategic, operational, financial, and compliance risks faced by it. The Company's risk management framework adopts appropriate risk mitigation measures for identified risks across functions. Risk mitigation actions are undertaken by Senior Management responsible for treating risks appropriately in a time-bound manner and the progress of risk mitigation actions shall be reviewed periodically by RMC.

D. Risk Response

The Committee thereafter in consultation with functional heads needs to come-up with risk mitigation plans and its implementation be tracked for tapping the gaps and take timey corrective measures / changes in plans to achieve the policy objectives.

E. Risk Reporting

The stage wise process action be reported to the Committee on quarterly basis for onwards submission of reports to the Audit Committee who shall evaluate the internal controls and risk management system and provide inputs wherever required.

6. RISK MANAGEMENT COMMITTEE

a) Composition:

The RMC at present comprises of the following members:

1. Mr. Manubhai Patel – Chairperson
2. Mr. Sanjay Asher – Independent Director
3. Mr. Maulik Patel – Chairman and Managing Director

b) Roles & Responsibilities of Committee:

RMC shall be responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and shall keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken and provide a regular report to the Board on the effectiveness of the risk management programme in identifying and addressing material business risks. To achieve these objectives, the RMC shall:

1. formulate a detailed risk management policy
2. monitor the implementation of action plans developed
3. address material business risks and regularly review the progress of action plans
4. ensure that appropriate methodology, processes and systems are in place to evaluate and monitor risks associated with the business of the Company
5. monitor the internal processes and systems to control the implementation of action plans
6. evaluate the performance of the management in managing the risks
7. monitor and oversee implementation of the risk management policy including evaluation of the adequacy of risk management system
8. identify and manage the risks review and update the list of material business risks
9. report periodically to the Board on status of material business risks
10. ensure compliance with regulatory requirements and the best practices with respect to risk management.

c) Secretary: The Company Secretary shall act as a secretary to the RMC.

7. REVIEW AND AMENDMENTS

For effective implementation of risk management plans, the Policy need to be reviewed and reassessed by the Audit Committee / Board of Directors at such intervals as it may deem necessary and that any change in the Policy shall be approved by the Board of Directors. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy. The RMC shall review this policy.

8. DISCLAIMER CLAUSE

The management has assessed all possible risks associated with the business but which are not exhaustive.

9. WEBSITE

The policy shall be disclosed on the website of the Company.

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