



THE ANDHRA SUGARS LIMITED
Corporate Risk Management Policy

PREAMBLE

Risk Management, is a subject that is becoming increasingly important to CEOs around the world. More than simply a response to burgeoning laws and regulations, Risk Management is becoming a value adding principles that is being embraced by an ever - growing number of leading organizations throughout the global business community.

In itself, Risk Management is not new. As Individual issues, governance, risk management, internal controls and compliance have always been fundamental concerns of business and its leaders. What is new is an emerging perception that if the process of risk management and others can be holistically applied and institutionalized, within an organization, it can add significant value and provide competitive advantage.

Clause 49 (vi) of the Listing Agreement requires the company to frame implement and monitor the Risk Management Plan and lay down a procedure to inform the Board Members about the Risk Assessment and Minimization Procedures. The Board's Report under Sec.134(3) (n) of the Companies Act 2013 requires to contain "a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company." Accordingly this Corporate Risk Management (CRM) Policy is formulated.

Accordingly this Risk Analysis & Management Policy is framed covering the following:

A) MANAGEMENT PERCEPTION OF RISK ANALYSIS :

The Andhra Sugars Limited (ASL) is engaged in the manufacture and Sale of Sugar, Organic and Inorganic Chemicals with the core products being Sugar and Caustic Soda. ASL operates in a business environment characterised by intensifying competition, complex technologies, ever changing Government polices, Multi Product and Multi Divisional activities thus entailing the exposure of the business to various risks and uncertainties. It becomes all the more important for the management to evolve a comprehensive integrated Risk Analysis and Management Policy to deal effectively with uncertainties of the business and assessment of Risk to enhance its operational value.

Risk Management is a potential solution for safeguarding the business from uncertain factors. Basically Risk Management Policy involves an understanding of :



- what is Risk
- Risk Categories
- Risk Process and
- Risk Mitigation.

B) What is Risk?

Risk is any uncertain future event that might prevent an organisation from achieving its business Objective.

Risk is everywhere. Uncertainty is the defining characteristic of the current business environment, and risk is its shadow. Company can be exposed to various kinds of risks such as Financial, Operational, Reputation, Environmental etc. It is therefore important that a common understanding of risk is defined and communicated to all relevant parties.

C) Risk Categories

There are three categories of risks:

⊗ Hazard	The threat of BAD things happening	<ul style="list-style-type: none"> • Flood or fire • Major accidents • Production disruptions • Terrorist Attacks
?Uncertainty	The possibility that actual results WILL NOT MEASURE UP to their anticipated expectations.	<ul style="list-style-type: none"> • Exchange rate fluctuations • Input price fluctuation • Economic growth rates • Changes in laws and regulations • Geo-political changes
⊙Opportunity	The chance of good things not happening. Or the exploitation of identified OPPORTUNITIES in the marketplace that will deliver an effective competitive advantage and increase shareholder value.	<ul style="list-style-type: none"> • New technologies • New markets • New products

D) Inherent risk versus residual risk

Inherent risk – All business processes and activities in a company have risks attached to them, whether these risks are caused by external or internal factors. These risks are also referred as "**gross risks**". All the risks are therefore inherent to these business processes and activities and they will have maximum impact and a high likelihood of occurring if company does not have any controls.



Residual risk – Where a company has implemented effective controls to mitigate risks, the residual risks refer to risks after controls or "net risks". These risks, therefore, typically have a lower impact and likelihood because they are controlled.

E) Process of risk assessment

The 5 key steps in the process are:

- Set objectives to align with company's corporate strategy
- Identify and understand the full spectrum of risks impacting the objectives
- Assess the risks by considering the impact and likelihood of the risk occurring
- Determine current risk responses to each risk and consider whether additional controls should be considered and the associated cost / benefits.
- Monitor and report the effectiveness of processes and systems for managing risks.

F) Risk Management and Mitigation

Risk Management is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed.

Risk Management is a culture, process and structure, effected by the management and other personnel, applied in strategy setting across the organisation, designed to identify potential events that may affect the company, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of company's objectives. As a measure Mitigation process management makes an evaluation and studies the impact of Risk probabilities such as:

Almost certain
likely
possible
unlikely and
rare.

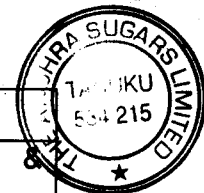
Risk and Company's activities

With this back drop, Management recognises the risk as an integral part of the business. In this context risk assessment process has been evolved which mainly deals with :

identification of the activities exposed to risk

nature of risk

risk analysis and management to mitigate the affect of risk on business operations covering the following aspects.



S.No.	Risk	Impact	Probability	Mitigation
i.	Fire – Plant & Machinery and current assets	High	Probable	Insure & Control
ii.	Loss in Transit – Incoming and outgoing materials	Moderate	Almost certain	Insure
iii.	Machinery breakdown	Moderate	Somewhat	Insure & Absorb
iv.	Theft of Cash	Low	Somewhat	Insure
v.	Theft of Assets	Low	Somewhat	Control
vi.	Fraud	Low	Somewhat	Control
vii.	Product liability claims	Low	Almost certain	Control & Absorb
viii.	Debtor default	Moderate	Probable	Transfer & Absorb
ix.	Accidents to employees	Moderate	Probable	Control & Insure
x.	Fluctuations in raw material and finished goods prices	High	Almost certain	Control & Absorb
xi.	Electronic Data failure	Low	Probable	Control
xii.	Currency fluctuations	Low	Certain	Absorb
xiii.	Competition from the existing and new manufacturers	High	Certain	Control & Absorb

This Policy envisages that Risk Analysis & Management covering the above aspects with respect to the various operations of the Company shall be placed periodically before the Board for its perusal and suggestions if any for further action to be taken in this regard.

The risk factors outlined above are indicative in nature. There may be a likelihood of some unforeseen risk emerging due to the prevailing business scenario from time to time. Hence readers are cautioned to exercise their own judgement while assessing the various risks associated with the Company

The Board / Chairman & Managing Director shall have the right to make necessary modifications in this Policy as may be deemed appropriate or as required by any statute from time to time. In the event the required changes are effected by Chairman & Managing Director the same shall be placed before the Board for its information and review.

This Risk Management Policy formulated at the Board meeting held on 31.1.2015.

###