



RISK MANAGEMENT POLICY

1 Risk Management

Risk may be caused by the Internal and External factors and the occurrence of certain catastrophic acts. These may impair the assets of the Company which may adversely influence the achievement of organization strategies, operational & financial objectives, earning capacity & financial position.

Flex Foods Limited ('The Company') recognizes that enterprise risk management is an integral part of good management practice. The effective risk management involves safeguarding the assets of the Company, achievement of organizational goals and protecting the earning capacity and financial position of the Company.

2 Risk Management Philosophy

The continued successful safeguarding, maintenance and expansion of the Company's businesses requires a comprehensive approach to risk management. It is the policy of the Company to identify, assess, control and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand or reputation of the Company.

Fundamental values of the Company are trust and respect to all our stakeholders and integrity in everything we do. By acknowledging that risk and control are part of everyone's job and by incorporating risk management into Company's daily business practices, the Company is better equipped to achieve strategic objectives, whilst maintaining the highest ethical standards. All staff are expected to demonstrate the highest ethical standards of behavior in development of



strategy and pursuit of objectives. Individually and collectively the Company's employees:

- Consider all forms of risk in decision making
- Create and evaluate group-wide ("corporate"), divisional and business unit risk profiles
- Continually monitor and seek ways to improve the risk management framework
- Retain ownership and accountability for risk and risk management at the corporate and divisional level

3 Risk Appetite

Risk appetite represents the amount of risk the Company is willing to undertake in the achievement of its strategic and operational objectives. It is inextricably linked to Company's strategic and operational management process. In assessing risk appetite the Board and management consider the needs and expectations of Company's stakeholders and the desire to build a profitable, socially responsible and sustainable organization.

The company considers one or combination of the following risk options to determine the risk appetite:

- Avoid the risk
- Reduce the likelihood of the occurrence of risk
- Reduce the consequences of the occurrence of risk
- Transfer the risk using insurance as a tool
- Retention of risk

As an organization that provides products and services that are all essentially of a compliance nature, the Board and management acknowledge that stakeholder expectations are likely to be more exacting than could be applied to other organizations. As a consequence Company will not accept risks which could expose to:

- Unacceptable levels of financial loss relative to strategic and operational targets
- Breaches of legislative or regulatory compliance



- Damage to its reputation
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with its customers and key stakeholders
- Health and safety metrics below target

The Board and management acknowledge that Company operates in sectors that are growing and consolidating. Opportunities exist to supplement organic growth with selected acquisitions to grow the business, provide enhanced opportunities for our people and improved returns for our shareholders, and reduce the reliance on any one single income stream. The Board and management admit that acquisitions are inherently risky but accept this risk provided the acquisition:

- Is strategically fit
- Is financially fit
- Is culturally fit and
- Is subjected to detailed financial and legal due diligence reviews

4 Risk Management Framework

The risk management framework of the Company encompasses the following process:

- identify the major risks which may occur due to Internal and External environment causing financial loss to the Company
- assess the risks as to their probability of occurrence and potential & severity of loss on finances, service delivery, people's health & safety, reputation and brand and legal & regulatory implications.
- monitor & review the occurrence of risk on periodical basis by way of continuous watch and vigil on any change both in the Internal and External conditions which have an adverse impact on the Company's business, its survival and future growth.



- mitigate and control the risks by way of creation and formulation of appropriate policies, strategies, structures, systems & procedures.

The Company has appropriate business, operating and financial policies which provide in its decision making process for consideration of all the business, operating and financial parameters whether relate to location & technology selection, market and people evaluation, legal and regulatory compliances.

The Company also follows a policy of transfer of risks through insurance mechanism for the acts of human and god including catastrophic acts.

The Company has instituted very strong internal control system by creating appropriate structures with proper delegation of duties and responsibilities of employees at each level, designing & framing appropriate systems, processes and procedures for carrying out various activities which encompasses internal checks & balances, reporting system including deployment of preventive measures of safety and security of Company's assets & properties from perils / losses.

In addition to the above internal control system, the Company has also deployed system of periodic internal & external audits by independent auditors to ensure the evaluation of enterprise risk management framework of the Company and also the adherence of the same by the Company.

5 Risk Management Responsibility

- The Board reviews the recommendations of the Audit Committee on the establishment & adherence of the Company's enterprise risk management framework.
- The Audit Committee reviews in detail the establishment & adherence of the Company's enterprise risk management framework and also review the adequacy and efficacy of the risk management system working in the Company periodically based on the reports



submitted by the management, internal auditors and statutory auditors.

- The Board in its annual report gives under the head 'Management Discussion & Analysis' the complete details on the enterprise risk management system deployed in the Company to address various kinds of macro and business, operational and financial risks.
- The entire management team is responsible to ensure the adherence and compliances of the enterprise risk management system and submit periodical reports to the Audit Committee on the same. They also review periodically the adequacy of the enterprise risk management system working in the Company with the help of internal and external auditors and also consider any suggestion made by the Audit Committee and the Board of the Company.
