

RISK MANAGEMENT POLICY

Lloyds Metals And Energy Limited

Lloyds Metals & Energy Limited (“the Company”) considers ongoing risk management to be a core component of the management of the company, and understands that the company’s ability to identify and address risk is central to achieving its corporate objectives.

The company’s risk management policy outlines the program implemented by the company to ensure appropriate risk management within its systems and culture.

This is in compliance with the Clause 49 of listing agreement and provision of Companies Act, 2013 which requires the company to lay down procedures about risk assessment and risk minimization.

(1) The Board of directors of the company at their meeting held on 27th October, 2014 have formed a Risk management Committee comprising of the following persons who shall periodically review the risk management policy of the company so that the management controls the risk through properly defined network.

- | | |
|-------------------------|------------------------|
| a) Shri Babulal Agarwal | Managing Director |
| b) Shri Mukesh Gupta | Non-Executive Director |
| c) Shri Rajesh Gupta | Non-Executive Director |
| d) J.P Dange | Independent Director |

(2) Head of the departments shall be responsible for implementation of the risk management systems as may be applicable to their respective areas of functioning and report to the board and the Risk Management Committee.

Risk Management Program

The company’s risk management program comprises of a series of processes, structures and guidelines which assist the company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the company’s board of director(Board) and of risk management committee, to oversee and manage the risk management program, while conferring responsibility and authority on the company’s senior management to develop and maintain the risk management program in light of the day-to-day needs of the company. Regular communication and review of risk management practice provide the company with important checks and balances to ensure the efficacy of its risk management program.

The key elements of the company's risk management program are set out below:

Risk identification

In order to identify and assess material business risks, the company defines risks and prepares risk profile in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

The company presently focuses on the following types of material risks:

- Technological risks;
- Strategic business risks;
- Operational risk;
- Quality risk;
- Competition risk;
- Foreign exchange risk;
- Realization risk;
- Cost risk;
- Financial risk;
- Human resource risks; and
- Legal/regulatory risks.

Oversight and management

Board

The board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by risk management committee and senior management.

The risk management committee or management may also refer particular issues to the board for final consideration and direction.

Risk management committee

The day to day oversight and management of the company's risk management program has been conferred upon the risk management committee. The committee is responsible for ensuring that the company maintains effective risk management and internal control systems and processes, and provides regular reports to the board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the risk management committee is responsible for:

- a) Managing and monitoring the implementation of action plans developed to address material business risks within the company and its business units, and regularly reviewing the progress of action plan;
- b) Setting up internal processes and systems to control the implementation of action plans;
- c) Regularly monitoring and evaluating the performance of management in managing risk;
- d) Providing management and employees with the necessary tools and resources to identify and manage risks;
- e) Regularly reviewing and updating the current list of material business risks;
- f) Regularly reporting to the board on the status of material business risks; and
- g) Ensuring compliance with regulatory requirement and best practices with respect to risk management.

Senior management

The company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the company and aim to provide the company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the company and individual business units.

Senior management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, senior management should promote and monitor the culture of risk management within the company and compliance with the internal risk control systems and processes by employees. Senior management should report regularly to the board regarding the status and effectiveness of the risk management program.

Employees

All employees are responsible for implementing, managing and monitoring action with respect to material business risks, as appropriate.

Review of risk management program

The company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the board, risk management committee and senior management aims to ensure the specific responsibilities for risk

management and clearly are communicated and understood. The reporting obligations of senior management and risk management committee ensure that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program and risk management committee, senior management and employees responsible for its implementation.

Risk Management System

The company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consist of the following elements:

- a) The corporate governance policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from strategic to the operational is specified in the governance policy. These role definition, inter alia are aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by internal audit.
- b) A combination of centrally issued policies and divisionally-evolved procedure brings robustness to the process of ensuring business risks are effectively addressed.
- c) Appropriate structures have been put in place to effectively address inherent risks in business with unique/relatively high risk profiles.

A strong and independent internal audit function at the corporate level carries out risk focused audits across all business, enabling identification of areas where risk management process may need to be improved. The board review internal audit finding, and provides strategic guidance on internal controls, monitors the internal control environment within the company and ensures that internal audit recommendations are effectively implemented.

The combination of policies and process as outlined above adequately address the various risks associated with our company's business. The senior management of the company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenge is a dynamic business environment.

Effective date
21st January, 2015