RISK MANAGEMENT POLICY
OF

LLOYDS METALS AND ENERGY LIMITED

(CIN: L40300MH1977PLC019594)

Registered Office: Plot No.: A 1-2, MIDC Area, Ghugus, Chandrapur, Maharashtra – 442505
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Tel.: 022-6291 8111.

This Policy shall come into effect from March 16, 2023

1. INTRODUCTION:

Lloyds Metals and 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 risks, is central to achieving its corporate objectives.

The Company's Risk Management Policy outlines the Procedure implemented by the Company to ensure appropriate Risk Management within its systems and culture.

2. OBJECTIVE:

The policy has a defined approach for risk identification and management in accordance with the requirements of the Companies Act of 2013, with the goal of ensuring resilience for sustainable growth and sound corporate governance.

3. APPLICABILITY:

The policy applies to all functions of the company including its operations and all support functions. The policy documents the practices followed for risk management

4. STATUTORY REQUIREMENTS:

This is in compliance with the applicable regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provision of the Companies Act, 2013 which requires the Company to lay down procedures on Risk Assessment and RiskMinimization.

a. **The Risk Management Committee** of the Company shall comprise of the Directors & Officers / Employees of the Company as may be determined by the Board time-to-time. The Committee Members shall periodically review the Risk Management Policy of the Company so that the Management controls the Risk through properly defined network.

b. **Head of the Departments ("HOD's"), the Chief Financial Officer** and **the Chief Risk Officer** are jointly and severally responsible for implementation of the Risk Management Systems as may be applicable to their respective areas of functioning and reporting to the Board and the Risk Management Committee.

5. Risk Management Procedure:

The Company's Risk Management Procedure 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 the Risk Management Committee, to oversee and manage the Risk Management Procedure, whilst conferring responsibility and authority on the Company's Senior Management to develop and maintain the Risk Management Procedure considering the day-to-day needs of the Company.

a. The key elements of Risk Management Procedure

The key elements of the Company's Risk Management Procedure are set out below:

I. Risk Identification:

In order to identify and assess material business risks (both internal as well as external), the Company will define risks and prepare risk profile in light of its business plans and strategies.

The Company presently focuses on the following types of material business risks:

- Operational Risk;
- Quality Risk;
- Competition Risk;
- Cost Risk;
- Financial Risk;
- Human Resource risks;
- Legal risks and
- Regulatory risks

II. Administration 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**.**

Management Procedure in identifying and addressing material business risks. To achieve this, the Risk Management Committee is responsible for:

III. Risk Management Committee

The management of the Company's Risk Management Procedure 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 reports to the Board on the effectiveness of the Risk

Management Procedure in identifying and addressing material business risks. To achieve this, the Risk Management Committee is responsible for:

i. Managing and monitoring the implementation of action plans developed to address material risks.

ii. Setting up internal processes and systems to control the implementation ofaction plans.

iii. Regularly monitoring and evaluating the performance of management inmanaging risk.

iv. Providing management and employees with the necessary tools and resources to identify and manage risks.

v. Regularly reviewing and updating the current list of internal & external business risks.

vi. Regularly Reporting to the Board on the status of internal & external business risks; and

vii. Ensuring compliance with regulatory requirement and best practices withrespect to Risk Management.

- **Senior Management**

The Company's Senior Management is responsible for designing and implementing Risk Management and internal control systems which identify internal & external 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 internal & external business risks across the Company.
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 Procedure.

- **Employees**

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

IV. Review of Risk Management Procedure:

The Company shall regularly evaluate the effectiveness of its Risk Management Procedure 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.

V. 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 consists of the following elements:

i. **Identifying -** identify a risk (threats or opportunities) and document the risks captured by the risk register owner

ii. **Assessing -** the primary goal is to document the net effect of all identified threats and opportunities, by assessing:

- Likelihood of threats and opportunities (risks);
- Impact of each risk;
- Proximity of threats; and
- Prioritization based on scales

iii. **Planning –** preparation of management responses to mitigate threats and maximise opportunities

iv. **Implementation** - Risk responses are actioned.

v. **Monitoring & reviewing –** To monitor and review the performance of the risk management system and changes to business initiatives

vi. **Communicate –** To provide regular reports to management team / Audit and Risk Committee at agreed times.

LLOYDS METALS AND ENERGY LIMITED

RISK MANAGEMENT PROCEDURE

This Risk Management Procedure shall be effective from March 16, 2022

Risk Management Procedure

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Risk Management Procedure

1. Introduction:

1.1. Purpose of the Policy:

All activities undertaken by **Lloyds Metals and Energy Limited ("LMEL" / "the Company")** carry an element of risk. The exposure to these risks is managed through the practice of Risk Management. In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of the Head of the Department's, the Chief Financial Officer and the Chief Risk Officer of the Company as stated in the Risk Management Policy.

This procedure outlines the Company's risk management process and sets out the responsibilities of the Board, the Risk Management Committee, the Senior Management and others within the Company in relation to the risk management.

1.2. Policy Owner:

The Chief Financial Officer and Chief Risk Officer are the policy owners of the Risk Management Policy and Procedure for LMEL. The Chief Financial Officer to have oversight over the risk management program for the Company.

2. Understanding Risk Management:

Risks have been described in terms of combination of the consequences of an event occurring and its likelihood of occurring.

Risk is the chance of something happening that will have an impact on objectives and risk management can be described as the culture, processes and structures that are directed towards realising potential opportunities whilst managing an adverse effect.

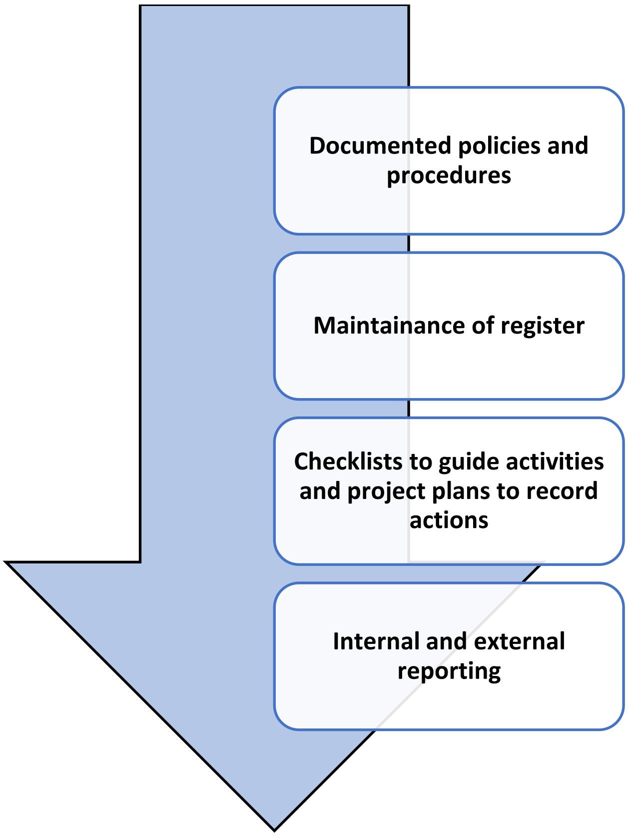
LMEL's Risk Management System is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum level. The existence of risk presents both threats and opportunities to LMEL.

Risk owners have been assigned responsibility for the identified risks in the Risk Register. LMEL's risk assessment matrix is used as the benchmark in planning and implementing the risk management measures. It takes into consideration the nature, scale and complexity of the business.

Risk Management Procedure

Risks are effectively managed by LMEL through the effective implementation of various controls, which include:

Board approved risk management framework -



3. Responsibility:

3.1. The Board:

The Board of **Lloyds Metals And Energy Limited**, through the Risk Management Committee, has responsibility under its Charter to review and report to the Board that:

a) the Committee has, at least bi-annually, reviewed the Company's Risk Management Framework to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board, and effectively identifies all areas of potential risk;

b) adequate policies and processes have been designed and implemented to manage identified risks;

c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and

d) proper remedial action is undertaken to redress areas of weakness.

3.2. Chief Financial Officer and Chief Risk Officer:

The Chief Financial Officer and Chief Risk Officer of the Company has responsibility under this policy for:

- Monitoring compliance with this policy;
- Reporting to the Board on compliance with this policy;
- Developing, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating review by the executive on a regular basis; and
- Maintaining the Risk Register.

3.3. Risk Owner:

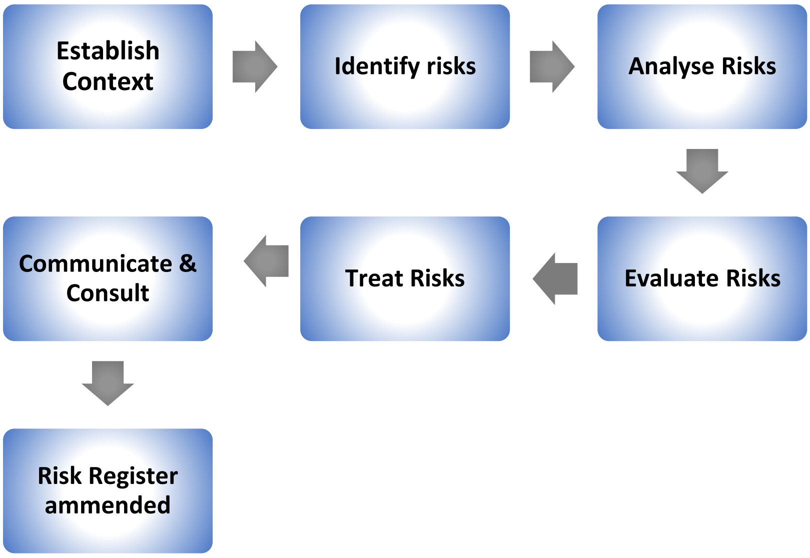
The Risk Owner (as noted in the Risk Register) is responsible for ensuring on a regular basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective.

If a control or procedure is not adequate and effective in treating the risk, the Risk Owner should report this, with a recommendation for an alternative risk treatment, to the Chief Financial Officer for escalation to the Risk Management Committee and ultimately approval by the Board.

Where there is a legislation in place for the management of specific risks (such as Occupational Health and Safety) the Risk Management policy does not relieve the Company of its responsibility to comply with that legislation.

4. Risk Management Procedure:

4.1. Summary of procedure:



4.2. Risk Management Process:

The Risk Management system is a dynamic and is designed to adapt to the Company's developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks.

The Risk Management system is based on a structured and systemic process which takes into account the Company's internal and external risks.

Risk Management Procedure

The main elements of the Risk Management process are as follows:

4.3. Risk Management Methodology:

The methodology adopted by the Company for managing and treating its risks can be defined as follows:

1. Document a Risk Management Framework (i.e., the context)

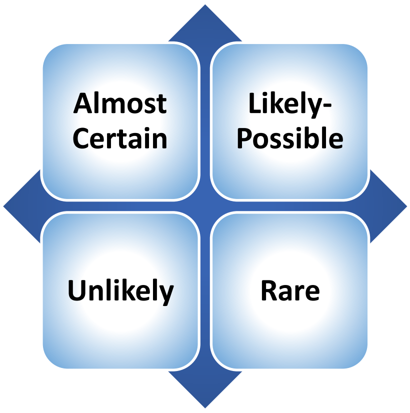
2. Identify the general activities involved in running the business (i.e., risk categories)

3. Identify the risks involved in undertaking the specific business activity by asking the questions:

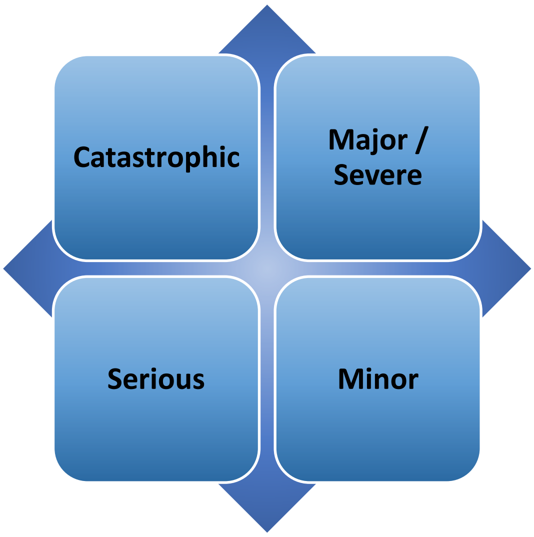
   a) What could happen?

   b) How and why could it happen?

4. Rate the likelihood of the business activity not being properly performed. Likelihood is assessed to the assumption that there are no existing risk management and compliance processes in place. It is assessed as either:



5. Rate the consequence of not properly performing the business activity - damage can be quantified in terms of financial loss to investors and/or LMEL itself. It is assessed as:



6. Assign the inherent risk rating based on a combination of the risk rating. Low and medium risks may be considered acceptable and therefore minimal further work on these risks may be required.

The rating may be assessed as:

Critical	High	Significant
Medium	Low	

7. Decide whether a control (e.g.: policy, procedure, checklist, reporting mechanism or account reconciliation) is necessary given the level of risk, based on likelihood and consequences and if so, identify control.

8. Assess whether the existing controls are adequate and allocate the responsibility of monitoring the control to treat the risk. This will integrate risk management and compliance to daily activities and facilitate appropriate control of operational risk.

9. Raise awareness about managing risks across the organisation through communicating the policy and responsibilities.

10. Routinely monitor and review ongoing risks so can risk can be effectively managed.

The Risk Assessment Matrix and Risk Register format are shown in Appendix A.

Appendix A – Risk Assessment Matrix and Risk Register

Risk Consequence Severity

Consequence Type	Minor	Serious	Severe	Major	Catastrophic
Financial Loss	<Rs. 10 Lakhs	Rs. 10 Lakhs – Rs. 50 Lakhs	Rs. 50 Lakhs – Rs. 1 Crore	>Rs. 1 Crore	Threatens viability of Company

Likelihood Probability & Frequency

Likelihood Rating	Description	Probability
Almost Certain	Known to happen often	>95%
Likely	Could easily happen	50%-95%
Possible	Could happen & has occurred before	15%-50%
Unlikely	Hasn't happened yet but could	5%-15%
Rare	Conceivable, but only in extreme circumstances	>5%

Control Effectiveness

Control Effectiveness	Description
Effective	The control design meets the control objective and the control is operating the majority of the time
Partially Effective	The control design mostly meets the control objective and/or the control is normally operational but occasionally is not applied when it should be, or not as intended
Ineffective	The control design does not meet the control objective and/or the control is not applied or is applied

Risk Management Procedure

Risk Assessment Matrix

Risk Assessment Matrix						
L I K E L Y H O O D	**Likelihood Rating**	**Minor**	**Serious**	**Severe**	**Major**	**Catastrophic**
	5. Almost certain	**Medium**	**High**	**Critical**	**Critical**	**Critical**
	4. Likely	**Medium**	**Significant**	**High**	**Critical**	**Critical**
	3. Possible	**Medium**	**Medium**	**Significant**	**High**	**Critical**
	2. Unlikely	**Low**	**Low**	**Medium**	**Significant**	**Critical**
	1. Rare	**Low**	**Low**	**Medium**	**Medium**	**High**

Critical	Extreme Risk - detailed research and management planning required at senior levels
High	High risk - immediate senior management attention needed
Significant	Significant risk - Senior management attention needed
Medium	Moderate risk - Management responsibility must be specified
Low	Low risk - Manage by routine procedures

Risk Register

Sr. No.	Risks	Risk Owner	Consequence	Likelihood	Inherent Risk Level	Controls
1.						
2.						
3.						
4.						
5.						