



## CRAFTECH PAPER MILLS LIMITED

### RISK MANAGEMENT POLICY

Version	Summary of Changes	Board Approval	Date of Release
Version 1	Initial	16.10.2025	01.11.2025

#### **1. LEGAL FRAMEWORK**

Section 134(3)(n) of the Companies Act, 2013 requires the Company to frame Risk Management Policy to identify various elements of risk and steps taken to mitigate the same. Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk Management Policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Furthermore, Regulation 17(9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”), requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

#### **2. OBJECTIVE AND PURPOSE**

In line with the Company’s objective towards increasing stakeholder value, a Risk Management Policy has been framed, which attempts to identify the key events / risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks.

#### **3. DEFINITIONS**

- a) **Risk:** Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization’s business objectives. The exposure to the consequences of uncertainty constitutes a risk.
- b) **Risk Management:** Risk Management is the process of systematically identifying, quantifying, mitigating and managing all risks and opportunities that can affect achievement of a corporation’s strategic and financial goals.
- c) **Risk Strategy:** The Risk Strategy of a company defines the company’s standpoint towards dealing with various risks associated with the business. It includes the company’s decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the company.
- d) **Risk Assessment:** Risk Assessment is defined as the overall process of risk analysis and evaluation.
- e) **Risk Estimation:** Risk Estimation is the process of quantification of risks.



Any other term shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulations.

#### **4. ROLES & RESPONSIBILITY**

The risk management roles and responsibilities will be as under:

##### **Board of Directors:**

- a) Approve risk policy and strategy
- b) To ensure that the Risk Management Policy is being followed and effectively contributing to early identification of risks and proper mitigation process.
- c) Delegate the review & monitoring of implementation of Risk Management Policy to the concerned person
- d) Reviews adequacy and effectiveness of business risk management
- e) Advise Business/support functions on Risk initiatives
- f) Responsible for identifying risks
- g) Responsible for preparing risk profile
- h) Responsible for managing risk
- i) Tests compliance at all relevant levels
- j) Quality assurance on risk management process.

##### **Employees:**

- a) Compliance with requirement of this policy
- b) Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected.

#### **5. IDENTIFICATION AND CATEGORISATION OF RISKS**

From the perspective of the Company, the risks can be of following nature:

##### **a) Contractual Risk**

Risk of unfavourable or ambiguous clauses in contracts with suppliers (e.g., wood pulp, chemicals, coal suppliers), customers, contractors, or logistics providers. Such risks could lead to supply interruptions, disputes over quality specifications, pricing mismatches, or premature termination of long-term supply agreements.

##### **b) Strategic Risk**

Risks arising from changes in demand for paper due to digitization, e-governance, reduced printing requirements, or competition from substitutes like plastic-free alternatives. Strategic risk also includes new entrants in the paper industry, changing consumer preferences (e.g., eco-friendly paper), and technological advancements in recycling or digital documentation reducing demand for traditional paper products.



#### **c) Compliance Risk**

Risks of non-compliance with environmental laws (water/air pollution norms, effluent discharge standards, waste disposal rules), forest regulations, labour laws, and industry-specific licensing requirements. Non-compliance may lead to penalties, shutdowns, or reputational damage.

#### **d) Operational Risk**

Risks arising from breakdown of paper-making machinery, boilers, turbines, or recovery plants; unplanned stoppages due to shortage of raw materials like pulp/wood; high dependence on continuous power and water supply; labour unrest; industrial accidents; low production yield; or inability to maintain quality standards.

#### **e) Financial Risk**

Risks associated with volatility in raw material costs (wood, pulp, chemicals), fuel prices, and foreign exchange (if raw materials or machinery are imported). Risks of high debt levels, interest rate fluctuations, imposition of new taxes, and liquidity crunch due to delayed payments from distributors/customers.

#### **f) People Risk**

Risk of shortage of skilled manpower in mill operations (mechanical/electrical technicians, chemical engineers, safety professionals), high attrition, lack of adequate training, or mismatch between employee skills and modern automation needs.

#### **g) Management Risk**

Risk of poor decision-making by top management regarding expansion, modernization, procurement, pricing, or marketing strategies. Inefficient management may cause cost overruns, failure in capacity utilization, or missed growth opportunities.

#### **h) Information Technology Risk**

Risk of failure in automation systems, ERP, SCADA, or IT-enabled process controls that are increasingly critical in modern paper mills. Cybersecurity threats, data loss, or IT system downtime could delay production, disrupt supply chains, or impair decision-making.

#### **i) Environmental Risk**

Risks associated with emissions, effluent discharge, deforestation concerns, or non-compliance with pollution norms. Paper mills are under continuous scrutiny for water and air pollution, which can lead to reputational damage, operational restrictions, or shutdown orders.

#### **j) Transportation Risk**

Risks in transporting raw materials (timber, chemicals, coal) and finished paper rolls/products. Accidents, spillage of chemicals, mishandling of large-size paper reels, or delays in transportation could disrupt operations and customer commitments.

### **k) Fire and Explosion Risk**

Paper mills are highly prone to fire hazards due to continuous presence of combustible raw materials (wood, pulp, paper waste, chemicals). Risk arises from dust explosions, chemical storage mishandling, and overheating of machines or boilers. A fire or explosion could cause severe plant damage, production stoppage, or even loss of life.

## **6. COMPLIANCE AND CONTROL**

All the Senior Executives under the guidance of the Chairman and Board of Directors have the responsibility for overseeing management's processes and results in identifying, assessing and monitoring risk associated with Organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports, with a view to ensuring continuous improvement and alignment with the Organization's strategic objectives and regulatory requirements.

## **7. CONTINUOUS ASSESSMENT**

The Company's Risk Management is a continuous process which implies a continuing cycle of implementing, monitoring, reviewing and managing risk management processes and simultaneously also sensitizing the organization against all possible risks.

## **8. AUTHORITY FOR APPROVAL & ALTERATIONS**

The Board shall have the authority for approval of this policy. The Board is authorized to make such alterations to this Policy as considered appropriate, subject, however, to the condition that such alterations shall be in consonance with the provisions of the Acts and Regulations.

## **9. LIMITATION AND AMENDMENT**

In the event of any conflict between the provisions of this Policy and of the Act or SEBI LODR Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI LODR Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the SEBI LODR Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

## **10. DISCLOSURE IN BOARD'S REPORT**

Board of Directors shall include 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.

## **11. EFFECTIVE DATE**

The policy will be effective with effect from the date of approval by the Board.



## **12. DISCLAIMER**

Nothing contained in this Policy shall operate in derogation of any law for the time being in force or of any other regulation in force. In any circumstance where the terms of this Policy differ from any applicable law governing the Company, such applicable law will take precedence over this Policy and procedures until such time as this Policy is modified in conformity with the applicable law.