



# **RISK MANAGEMENT POLICY**

**M/s. HERITAGE FOODS LIMITED**

CIN: 15209TG1992PLC014332

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### **1. Scope**

This Policy is a formal representation of **Heritage Foods Limited** (HFL)'s commitment to Risk Management and has been approved by the HFL Board/Committee.

This Policy is applicable to all HFL businesses; all levels within the organization, all types and consequence categories. This Policy applies to HFL, its directors, and all its employees and contractors.

Through the remainder of this Policy, HFL's directors, employees and contractors are referred to collectively as "employees".

The Policy is supported by the Risk Management & Assessment Framework which provides guidance with regard to the processes that underpin effective and consistent risk management.

### **2. Policy Statement**

HFL is committed to ensuring that risk management practices are entrenched into all business processes and operations to drive consistent, effective and accountable action, decision making and management practice.

HFL's fundamental, underlying risk principles are consistent with **ISO 31000** (Risk Management – Principles & Guidelines); and, the **COSO Standard** for Enterprise Risk Management.

### **3. Purpose**

The Heritage Group, founded in 1992, is one of the fastest growing Private Sector Enterprises in India, with four-business divisions' viz., Dairy, Retail, Agri, and Bakery under its flagship Company Heritage Foods Limited (HFL).

Our vision is to delight every home with fresh & healthy products and empowering the farmers. Our mission is to be a nationally recognized brand for healthy and fresh products with a revenue of INR 6000 Crores by 2020. To fuel this dream, HFL plans to increase its milk processing capabilities, increase its retail presence, focus on value added products to increase margins and be known for quality products.

Our continued growth and success depends on our ability to understand and respond to the challenges of an uncertain and changing world and build capability to respond to disruptions to our business. As a large, dispersed and complex organisation, this uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risk and being well prepared for disruption-related risks, we provide greater certainty and confidence for all our stakeholders.

The risk inherent in our operating environment creates the need to think about, take and manage risk in an informed way. Explicit and effective risk management is a source of insight and competitive advantage. As such, forward-looking risk management must be a cornerstone of our decision-making. To this end, HFL is committed to the ongoing development of a strategic and consistent enterprise-wide approach to risk management underpinned by a risk-aware culture.

HFL recognizes that risk is dynamic and is inherent in all external and internal operating environments and is committed to managing all risks effectively. Effective risk management is a means for achieving competitive advantage and is pivotal to enabling the ongoing growth and success of our business.

The environment in which HFL operates has changed significantly over the past decade, predominantly as a result of privatization, the introduction of competitive markets, industry consolidation and integration along the value chain. This in turn has resulted in considerable change to internal operations, including our risk profile.

As our operating environment continues to be transformed, embedding risk management principles and practices into strategy development and day to day business processes is critical to achieving robust and proactive commercial outcomes – a balance between mitigating threats and exploiting opportunity; creating and protecting value.

Just as risk is inherent in our operations, risk management is also inherent in all decision making and management processes. Risk management is essential to good corporate governance and is a fundamental component of good management practice.



Everyone in HFL has a role in managing risk by enhancing opportunities and minimising threats, so that together we achieve our common goals – growing our business sustainably, enhancing value for customers and shareholders, and contributing to the ecosystem in which we operate.

This policy sets out the objectives and accountabilities for the management of risk within HFL such that it is structured, consistent and effective.

The Risk Management Policy and Risk Management & Assessment Framework are two key documents that together formalise and set out HFL's Risk Framework.

#### **4. In brief**

This Policy is a statement of the overall approach to risk management for HFL. The Policy outlines:

-  the key principles to guide informed risk-taking; and
-  the key responsibilities for risk management.

### 5. Definitions

In this Policy:

**AC** means the Audit Committee of the HFL Board.

**Enterprise Risk Management** means the program, strategy and processes to identify and manage material business risks, at a whole-of-company level.

**Risk** is the effect of uncertainty on objectives, ie the chance of something happening that will have a positive or negative impact on objectives.

**Risk Management Framework** is the document which describes the foundations for identifying, assessing, managing and reporting risk across the Woolworths business.

**Risk Assessment Guide** is the document which describes the process for assessing risk and includes the criteria for assessing the consequence and likelihood of risks.

**HFL** means Heritage Foods Limited and includes wholly or majority owned subsidiaries and its associated entities.

### 6. Policy principles

Effective management of risk is vital to the continued growth and success of HFL. For risk management to be effective, all operations must apply the following principles to the context of their particular business and its objectives:

1. Risk management must create and protect value.
2. Risk management is integrated into decision-making and organisational processes.
3. Explicit risk management helps decision-makers make informed choices.
4. Risk management is focused on the sources of uncertainty which may impact the achievement of objectives.
5. Risk management must be tailored to the context and fit for purpose.
6. Risk management is dynamic, iterative and responsive to change.

HFL has adopted the risk management process described in the ISO 31000:2009 Risk management – Principles and guidelines.



This process is set out in the Risk Management Framework. All risk management systems and methodologies should be consistent with this process.

### **7. Objectives**

Effective risk management within HFL has a number of objectives:

- Promote an enterprise wide approach by integrating risk management processes with:
  - business strategy; project management; process and decision making;
  - audit, insurance and specialist risk functions; and
  - Compliance and general governance functions.
- Promote consistency and transparency in methodology, assessment and management processes.
- Promote proactive recognition of external factors and anticipate uncertainties that may affect the achievement of strategy.
- Sponsor confidence in operations, management decisions and certainty regarding expected outcomes.
- Protect the interests of HFL shareholders.
- Provide assurance to counterparts, customers, employees and the community.
- Sponsor innovation and maximise value from assets, ventures and opportunities.
- Recognise that risk is embedded in all our activities and that the underlying risk appetite is key to effective decision making.
- Provide appropriate, consistent and transparent ownership and accountability around risk mitigation.
- Enable the design and implementation of controls that:
  - are structured to promote effective realisation of objectives;
  - provide appropriate assurance; and
  - are cost effective.
- Recognise that timely and accurate monitoring, review, communication and reporting of risk is critical to:
  - providing early warning mechanisms for the effective management of risk occurrences and consequences;
  - providing assurance to management, the Board and shareholders;
  - providing a solid platform for growth; and
  - generating and maintaining a sound corporate history.

### **8. Responsibilities**

Responsibility for risk management is shared across the organisation. Key responsibilities include:

**Risk Ownership and management** – perform and monitor day-to-day risk management activity

- **Employees** are accountable for actively applying the principles of risk management within their areas of responsibility and fostering a risk-aware culture.

More specifically, Employees are responsible for:

- Report to their immediate leader or supervisor, any real or perceived risks that become apparent and may significantly affect HFL's:
    - Commercial viability;
    - Profitability;
    - Assets;
    - Business continuity;
    - Customers;
    - Regulatory and/or legal obligations;
    - Reputation; and/or
    - People and/ or their safety.
  - Report to their immediate leader or supervisor, any real or perceived risks that HFL's operations may significantly affect the broader:
    - Environment; and/or
    - Community.
  - Look for opportunities to improve operational efficiencies and optimise outcomes.
- **The Management/ Board/Board Committee** is responsible for periodically reviewing the group's risk profile, fostering a risk-aware culture and reporting to the AC/Risk Management Committee on the effectiveness of the risk management framework and of the company's management of its material business risks.

More specifically, Management/ Board is responsible for:

- Promoting HFL's Risk Policy, Framework and expectations for the management of risk;
- Provision and support of appropriate resources to manage risk in accordance with the Policy & Framework;
- Escalating risks, issues and opportunities in accordance with the Risk Management & Assessment Framework;
- The design and implementation of cost effective risk management and internal control systems in accordance with the guidelines to manage risk, encourage efficiencies and take advantage of opportunities;
- Continuous monitoring and reporting of the effectiveness of risk controls;
- Monitoring compliance, investigating breaches, recommending and/or approving improvement opportunities.

**Risk Oversight** – set direction and establish policy and business rules

- **Group Risk** is responsible for designing, implementing and improving the Risk Management Framework as part of the Enterprise Risk Management Program.

More specifically, Group Risk is responsible for:

- Identification and reporting of HFL Key Risks;
- Promoting and facilitating a standardised approach to effective risk and compliance management;
- Assisting the business to understand and manage risk and compliance and facilitating the integration of HFL's approved processes for managing risk and compliance within the business;
- Reporting to the AC/Risk Management Committee no less frequently than quarterly on risk and compliance issues;
- Reporting to the Executive Team regularly on material risks and issues;
- Supporting the business in identifying and implementing risk and compliance management improvement processes;
- Keeping abreast of factors in the internal and external environments that may affect the achievement by HFL of its strategic objectives and/or operating targets;
- Maintaining and reviewing the HFL Risk Management and Compliance Frameworks (including relevant policies and processes).

**Independent Risk Assurance** – provide independent challenge and assurance

- **Internal Audit** provides independent assurance on the effectiveness of internal controls and the Risk Management Framework.

More specifically, Internal Audit is responsible for:

- Developing and implementing an annual audit plan having regard to HFL's material risks;
- Reviewing the effectiveness of HFL's risk management policy and risk management processes; and
- Notifying Group Risk of new and emerging risks identified in the course of implementing the audit plan and, where necessary, modifying the audit plan to take account of the impact of new risks.

**The Board / AC/Risk Management Committee** – maintain oversight and monitor the effectiveness of internal controls and risk management activities

- The AC/Risk Management Committee assists the Board in overseeing the group's risk profile and is responsible for overseeing the effectiveness of management's actions in the identification, assessment, management and reporting of material business risks.

More specifically, the AC /Risk Management Committee is required to:

- Review and approve HFL's risk management policy and framework for identifying, assessing, monitoring and managing risk;
  - Regularly review HFL's updated risk profile;
  - Monitor the effectiveness of the risk management framework and the system of internal control. As part of monitoring and assessing the effectiveness of the system of internal control, regularly receive and review reports on internal control;
  - Review at least annually, HFL's implementation of the risk management policy and framework; and
  - Review the adequacy of HFL's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of HFL's principal insurers.
- The Board/ Risk Management Committee is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective Risk Management Framework. Detailed work on this task is delegated to the AC and reviewed by the full Board - the Nomination Committee and People Policy Committee also assist the Board in this role. The Board has ultimate responsibility for overseeing the performance of AGL, including monitoring of risk management and internal control systems.

## **9. Compliance**

Practices established and used for the management of risk should demonstrate alignment and consistency with the principles and requirements in this Policy

Compliance with this Policy may be periodically assessed by Business Review.

Each area of the business is accountable for managing risks and must maintain a register of risks relating to material risk exposures.

Risk registers will be based on the outcomes of thorough risk identification and assessment processes and in accordance with the HFL Risk Management & Assessment Framework.

Review of risk registers are to be conducted regularly (dependent on business requirements) and reporting and escalations should occur in accordance with the HFL Risk Management & Assessment Framework.

Enterprise risk identification, assessment and profiling will be conducted at least once per year.



### **10. Related and Supporting Policies**

This Risk Management Policy is supported by, and linked to, specific HFL policies and standards as issued from time to time. These policies and standards include, but are not limited to:

- Risk Management Framework
- Corporate Code of Conduct
- Compliance Policy and Program
- Health, Safety & Environment Policy
- Accounting Policies and Procedures
- Anti-Sexual Harassment – Safe Work Environment Policy
- Whistle Blower Policy

### **11. Review**

This Policy should be reviewed every two years or earlier if required by a change in circumstances. Changes to the Policy require Board/Committee approval.

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