



RISK MANAGEMENT POLICY

CHEMCON SPECIALITY CHEMICALS LIMITED



INTRODUCTION:

Risk is Exposure to the possibility of loss, injury, or other adverse or unwelcome circumstance; a chance or situation involving such a possibility.

Risk Management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

The Company's Risk Management Policy ("the Policy") outlines the program implemented by the Company to ensure appropriate risk management within its systems, culture and its risk appetite and philosophy.

ADVANTAGES OF EFFICIENT RISK MANAGEMENT ARE AS FOLLOWS;

- Risk Management in the long run always results in cost savings and prevents wastage of time and effort in firefighting.
- It can help plan and prepare for the opportunities that unravel during the course of a project or business.
- Risk Management improves strategic and business planning. It reduces costs by limiting legal action or preventing breakages.
- It establishes improved reliability among the stake holders leading to an enhanced reputation.
- Sound Risk Management practices reassure key stakeholders throughout the organization.

LEGAL FRAMEWORK:

As per the Regulation 17(9)(a) & (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (" Listing Regulations"), the Company shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Section 134(3)(n) of the Companies Act, 2013 (" Act") states that there shall be attached to statements (i.e. financial statements) laid before a company in general meeting, a report by its Board of Directors, which 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".

STAGES OF RISK MANAGEMENT PROCESS:

- A. Risk Identification
- B. Risk Assessment
- C. Risk Analysis
- D. Risk Mitigation
- E. Risk - Control and Monitoring



A. RISK IDENTIFICATION

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

B. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

- a) On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.
 - **External risks factors:**
 - Economic Environment
 - Political Environment
 - Competition
 - Fluctuations in input material
 - Changes in technology
 - Changes in interest rates
 - Changes in government policies
 - Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.
- b) Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.
 - **Internal risks factors:**
 - Project Execution
 - Contractual Compliance
 - Operational Efficiency
 - Hurdles in optimum use of resources
 - Quality Assurance
 - Environmental Management
 - Human Resource Management
 - Culture and values

Operational risk: Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.



Financial risk: The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.

Sectoral risk: The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilization levels along with the impact of government regulations and policies on the Company.

Compliance Risks: Risk of loss resulting from legal and regulatory factors such as Legal Risks & Health, Safety and Environmental Risks.

IT-related Risks: Risk of technological challenges and other cyber security risks such as technological risks including hardware and software failure, human error, spam, viruses and malicious attacks and cyber security risks such as ransomware, phishing, data leakage, hacking, insider threats.

C. RISK ANALYSIS

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as “high” or “very high” criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list and to be dealt with at a later stage.

D. RISK MITIGATION

To ensure that the above risks are mitigated, the Company will strive to:

- Involve all functions in the overall risk identification and mitigation exercise;
- Link the risk management process to the strategic planning and internal audit process;
- The Risk Management Committee shall have access to all information necessary to fulfil its responsibilities. It has the powers to seek information from any employee, obtain outside legal or other professional advice and secure attendances of outsiders with relevant expertise, if it considers necessary;
- The Risk Management Committee may in its judgment periodically commission risk management analysis of the Company;

E. CONTROL AND MONITORING MECHANISM

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

RISK MANAGEMENT COMMITTEE:

COMPOSITION: The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the Company may be members of the committee.



The Company Secretary shall act as the Secretary to the Committee.

MEETINGS: The Risk Management Committee should meet at least two times in a year and not more than 210 days shall elapse between two consecutive meetings. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

ROLE OF RISK MANAGEMENT COMMITTEE:

The role of the committee shall, inter alia, include the following:

- A. To formulate a detailed risk management policy which shall include:
 - A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - Measures for risk mitigation including systems and processes for internal control of identified risks.
 - Business continuity plan.
- B. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- C. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- D. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- E. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- F. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
- G. The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

AMENDMENTS:

All provisions of this Policy would be subject to revision / amendment in accordance with applicable laws as may be issued by relevant statutory and regulatory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant statutory and regulatory authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.