



**Himadri Speciality Chemical Ltd**

**CIN: L27106WB1987PLC042756**

# **RISK MANAGEMENT POLICY**

<b>Version</b>	<b>Revision Date</b>	<b>Approved By</b>	<b>Date Approved</b>
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<b>V1</b>	<b>14 November 2011</b>	<b>Board</b>	
<b>V2</b>	<b>30 September 2014</b>	<b>Board</b>	
<b>V3</b>	<b>30 March 2021</b>	<b>Board</b>	<b>30 March 2021</b>
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# Preface

## **Risk Management**

Himadri realizes that risk is inherent to all its business activities. The Company has a well- established risk management framework that helps it remain resilient. Risk analysis along with their mitigation is critical in the ever-changing environment that the Company operates in.

Risk management strategy and objectives

Set operational strategies inline with the company's strategy

Establishing the context by understanding the event, hazard or environment

Identifying various risks impacting the company's businesses

Evaluation of risks

Risk treatment

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## RISK MANAGEMENT POLICY

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### 1. PREAMBLE

#### **Applicability of Companies Act, 2013**

Section 134(3)(n) :

*There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include-*

- i. "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."*

Section 177(4)(vii):

*Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall include-*

- i. evaluation of internal financial controls and risk management systems.*

Section 149(8) read with Schedule IV of the Companies Act, 2013 :

*Independent directors shall;*

- i. Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments, and standards of conduct.*
- ii. Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.*

#### **Applicability of SEBI (LODR) Regulations, 2015**

Regulation 4(2)(f)(ii):

*Key functions of the board of directors-*

- i. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments;*
- ii. ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.*

Regulation 17(9):

- i. The listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.*
- ii. The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.*

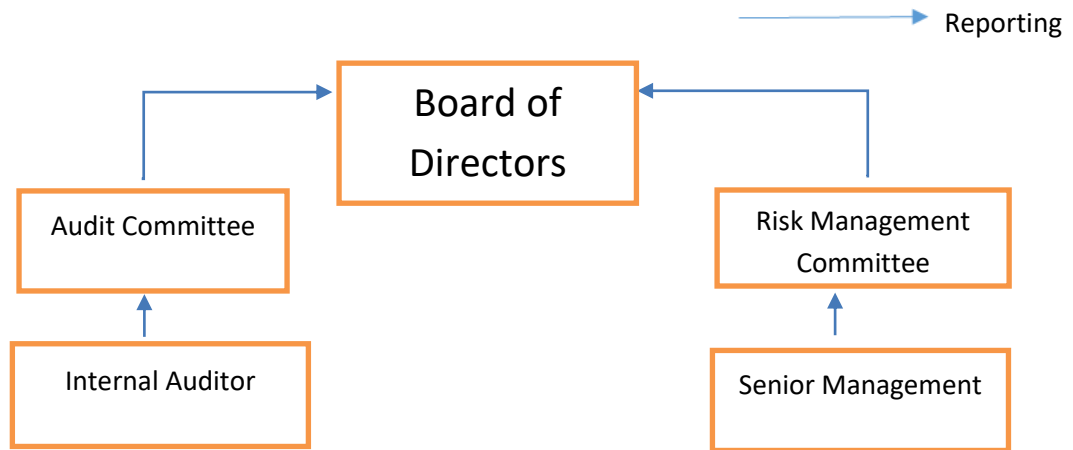
Regulation 19 read with Para A of Part C :

The role of the audit committee shall include the evaluation of internal financial controls and risk management systems.

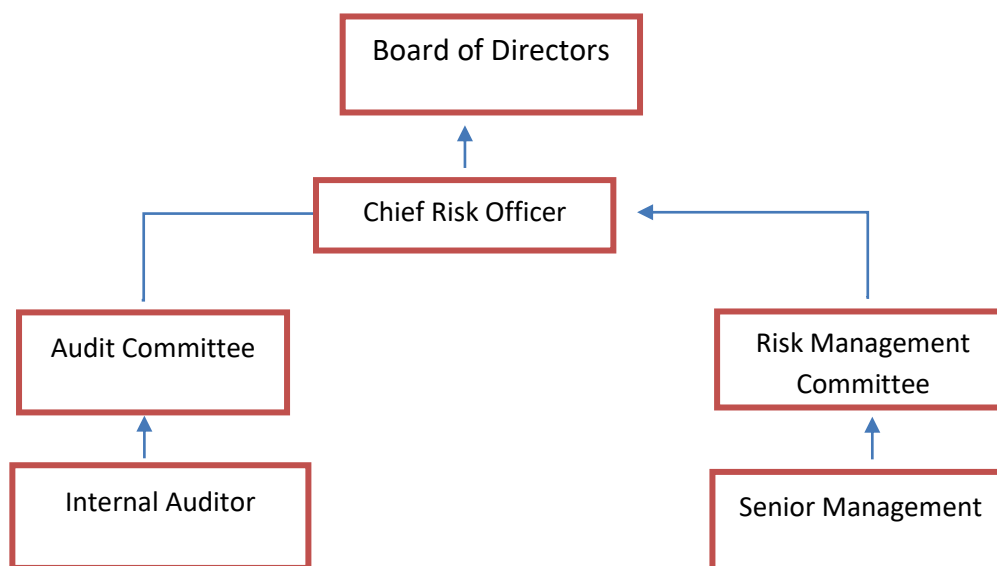
### Background and Implementation

- i. The Company is a manufacturer of Coal Tar Pitch and its by products and prone to inherent business risks like any other organization. This document is intended to formalize a risk management policy the objective of which shall be identification, evaluating, monitoring, and minimizing / mitigating identifiable risks.
- ii. The Board of Directors of the Company and the Audit Committee and Risk Management Committee shall periodically review the risk management policy of the Company so that management controls the risk through properly defined framework.
- iii. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee.

### RISK MANAGEMENT STRUCTURE



## Proposed Risk Management Structure



### Regulation 21: Risk Management Committee

- all top 500 companies based on market capitalization as on 31 March, 2019 are required to constitute a Risk Management Committee with effect from 1 April, 2019;
- The majority of members of Risk Management Committee shall consist of members of the board of directors and senior executives of the listed entity may be members of the committee;
- The Chairperson of the Risk management committee shall be a member of the board of directors;
- The risk management committee shall meet at least once in every financial year;
- The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit 44[such function shall specifically cover cyber security;

In compliance of the provisions of Listing Agreement and applicable provisions of Companies Act, 2013 and rules made thereunder, the Board at its meeting held on 27 May 2014 delegated its power with CEO and CFO of the Company to design and formulate the procedure for assessment of various kind of risk and its minimization process. Accordingly the Management in consultation with the Senior Management team has identified various kinds of Risk in the Business of the Company and has adopted a Risk Assessment & Minimization Procedures on 30 September 2014.

## 2. POLICY STATEMENT

Himadri Speciality Chemical Ltd (hereinafter referred to as “the Company”) recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. Considering the overlapping role of Board of Directors (“Board”), Audit Committee and the Risk Management Committee, the Board has prepared this written Policy with the objective to demarcate the role of each of this authority for the purpose effective Risk Management.

The Company's Risk Management policy is required to be amended from time to time in accordance with dynamic business environment and the elements of risk. The Board of Directors at its meeting held on 30.03.2021 has adopted a new Risk Management policy. This Policy shall supersede the existing Risk Management Policy.

### **3. OBJECTIVES**

Risk Management Policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. This Policy primarily aims at managing the risks involved in all activities of the Company, minimizing any adversity and assisting in the decision making processes that will minimize any potential loss.

The other objectives of this Policy are:

- To safeguard the Company's properties, interests and the interest of all stakeholders;
- To lay down a framework for identification, measurement, evaluation, mitigation & reporting of various risks;
- To assist in balancing between the cost of managing risk and the anticipated benefits;
- More efficient use of resources,
- Better management at all levels through improved decision making;
- Reduced waste and fraud;

### **4. DEFINITIONS & INTERPRETATIONS**

**"Appropriate Committee"** shall mean the Risk Management Committee

**"Audit Committee"** means a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 ("Act") read with the regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('SEBI LODR').

**"Board of Directors"** or **"Board"** in relation to a Company, means the collective Body of Directors of the Company constituted in accordance with the provisions of section 2(10) of the Act, read with the regulation 2(1)(d) of the SEBI LODR.

**"Company"** means Himadri Speciality Chemical Ltd

**"Policy"** means a written Risk Management Policy framed by the Board of Directors.

**"Risk"** is an event or a probability of an event, which can prevent, hinder, or otherwise obstruct the Company in value creation and achieving its objectives or erode the existing value of the Company.

**"Risk Management"** Risk management is the process of identifying, evaluating and countering risks with the objective to minimize potential loss. It is the dedicated management of business risk to contain its impact. This dedicated management comprises formulation, policy, initiatives, prudential norms, structured reporting, and control to estimate, quantify and counter risk in an institutionalized manner.

**"Risk Management Committee"** or **"RMC"** is a Committee constituted in accordance with the provisions of regulation 21 of SEBI LODR and other applicable laws.

**“Senior Management”** wherever used in this Policy shall mean personnel of the Company who are members of the core management team excluding Board of Directors, comprising all members of management one level below the executive directors, including the functional heads.

## **5. RISK MANAGEMENT SYSTEM**

The overall Risk Management System of the Company shall broadly comprise of the following activities which will be distributed between the Board, Audit Committee, RMC:

1. Risk identification;
2. Risk evaluation and assessment and prioritization;
3. Distributing and allocating of the Risk Management to the Committees;
4. Risk treatment and mitigation;
5. Risk monitoring and reviewing

## **RESPONSIBILITY DISTRIBUTION**

### **Board of Directors**

The Board of Directors shall be responsible for the following:

- i. framing, and implementation of the Risk Management Plan, processes and guidelines and periodic review of the same as per the recommendation of the Audit Committee and RMC;
- ii. supervising the overall risk management system of the Company including assessment of the risk management and ensuring updating of the risk register;
- iii. identifying new risks and assessing the probability and gravity or impact of the same and prioritizing the risks in required order;
- iv. distributing the responsibility of minimizing the same between Audit Committee and RMC on the basis of financial risk and non-financial risk;
- v. providing suggestions/comments/remarks on the risks (including the risks which are newly identified) to the Audit Committee and RMC;
- vi. suggesting steps to minimize and mitigate the risks to the Audit Committee and RMC;

### **Audit Committee**

The Audit Committee shall be responsible for managing, minimizing, and monitoring all the financial risks as identified by the Board of Directors. To ensure the same, the Audit Committee shall ensure that the Company has in place adequate internal audit coverage to satisfy itself that policies and procedures are being implemented effectively. The role of the Audit Committee with respect to risk management shall include:

- i. to evaluate and ensure that the Company has an effective system internal financial control systems to enable identifying, mitigating, and monitoring of the risks to the business of the Company;
- ii. to ensure the implementation of the suggestions/remarks/comments of the Board of Directors on the Risk Management Plan ;
- iii. monitoring and reviewing the performance of the financial Risk Owners;
- iv. periodic reporting to the Board of financial risk management issues and actions taken in such regard;
- v. provide the inputs to the Board for financial business risk mitigation;
- vi. regularly reviewing and updating the current list of financial risks and reporting the same to the Board;
- vii. co-ordinate its activities with the RMC in instances where there is any overlap in their duties and responsibilities.

## **Risk Management Committee ('RMC')**

The RMC shall be responsible for managing, minimizing, and monitoring all the non-financial risks and risk related to cyber security as identified by the Board of Directors. The role of the RMC shall include:

- i. to formulate a detailed risk management policy which shall include:
  - a) A framework for identification of internal and external risks specifically faced by the listed entity, 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.
  - b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c) Business continuity plan.
- ii. to ensure that appropriate methodology, processes, and systems are in place to monitor and evaluate risks associated with the business of the Company;
- iii. to monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- iv. to periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- v. to keep the board of directors informed about the nature and content of its discussions, recommendations, and actions to be taken;
- vi. the appointment, removal, and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
- vii. to assist the Board with regard to the identification, evaluation, classification, and mitigation of non-financial risks and assess management actions to mitigate such risks;
- viii. to evaluate and ensure that the Company has an effective system internal control systems to enable identifying, mitigating, and monitoring of the non-financial risks to the business of the Company;
- ix. to implement proper internal checks and balances and review the same periodically;
- x. to put in place mechanism for ensuring cyber security;
- xi. to ensure the implementation of the suggestions/remarks/comments of the Board of Directors on the Risk Management Plan ;
- xii. to monitor and review the performance of the non-financial Risk Owners;
- xiii. to review effectiveness of risk management and control system;
- xiv. periodic reporting to the Board of non-financial risk management issues and actions taken in such regard;
- xv. co-ordinate its activities with the Audit Committee in instances where there is any overlap in their duties and responsibilities.
- xvi. To do all other acts which incidental to the risk associated with the business of the company;

## **Senior Management**

The role of the senior management shall include:

- i. to act on the instructions of the Audit Committee and RMC;
- ii. periodically submit progress report to the Audit Committee and the RMC w.r.t Risk Management Plan;
- iii. to implement the suggestions/remarks/comments of the Board of Directors through the Audit Committee/RMC in the Risk Management Plan considering the new financial and non-financial business risks and providing the periodical report on the same to the Audit Committee/RMC



## **FLOW OF RESPONSIBILITY**

- i. Risks identified by the external agency, wherever appointed, shall be submitted to the Board along with mitigation plan;
- ii. the Board after receipt of the report of the external agency shall provide its comments/remarks/suggestions on the newly identified financial business risk and non-financial business risks and distribute the same between the Audit Committee and RMC respectively;
- iii. the Audit Committee and RMC, after taking into consideration the comments/remarks/suggestions of the Board, shall implement the same through the respective Risk Owners;
- iv. the respective Risk Owners shall provide a periodical report to the Audit Committee/RMC regarding the implementation and results thereof;
- v. The Audit Committee and RMC shall review the steps taken by the Risk Owners and submit to the Board an action taken report along with their respective comments.

## **6. RISK ASSESSMENT AND THEIR MITIGATION PROCEDURE**

Risks have been described as a combination of the consequences of an uncertain event and its likelihood of occurring that will have a positive or negative impact on the objectives of an organisation. Risks can be internal and external and are inherent in all administrative and operational activities.

The Company identifies and includes the various risks which are required to be assessed and reviewed periodically by the Board so that the likelihood of their occurrence can be prevented to mitigate the probable threats at appropriate time. The various kinds of risks has been described in Risk Assessment & Minimization Procedures, which will be reviewed by the Board periodically.

## **7. RISK MANAGEMENT APPROACH AND SYSTEMS**

The Risk Management Framework of the Company encompasses the following process:

- identifying the major risks which may occur due to Internal and External environment causing loss to the Company.
- assessing the risks as to their probability of occurrence and potential and severity of loss on finances, output, people's health and safety, reputation & brand and legal & regulatory implications.
- monitoring & reviewing the occurrence of risk on periodical basis by way of continuous watch and vigil on any change both in the Internal and External conditions which may have an adverse impact on the Company's business, its survival and future growth.
- mitigation and controlling the risks by way of creation and formulation of appropriate policies, strategies, structures, systems & procedures.

The Senior Management shall periodically review the Risk Management Framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

In addition to the above and the existing internal control systems, the Company shall continue to be subjected to the internal audits by the Internal Auditors of the Company, to ensure the evaluation of Risk Management Framework of the Company and also the adherence of the same by the Company.

## **8. BUSINESS CONTINUITY PLAN AND DISASTER MANAGEMENT**

HSCL is dedicated to uninterrupted operation to safeguard shareholders' value, enhance governance, accomplish strategic objective and be well-prepared for adverse circumstances. It will strive to maintain the policy scope under any disruptive and/ or unnatural events to safeguard and limit economic damages to people, the environment, other living organisms, and their ecosystem.

HSCL will ensure effective implementation of the business continuity policy by following:

- **Impact Analysis:** Identifying crucial activities that assist in smooth and effective running of the business. This enables the company to promote a pro-active risk management approach
- **Resource Planning:** Allocating adequate resources and management energy to maintain business continuity
- **Stakeholder Management:** Meeting stakeholders' expectations including customers, suppliers, and employees for business continuity by delivering capabilities and managing redundancies through internal control system
- **Learning and Development:** Strengthening business continuity by implementing learning and development mechanism
- **Disaster Recovery:** Delineating disaster management plans as per guideline from National Disaster Management Authority for unforeseen and astonishing exigencies while appropriately and adequately responding to eventually of such circumstances

## **9. REPORTING**

The Senior Management shall be responsible for the implementation of the Risk Management Systems and their effectiveness and adequacy, as may be applicable to their respective functional areas and shall report to the Appropriate Committee as may be required.

The Appropriate Committee shall, from time-to-time report to the Board, the need for review of this Policy including the effectiveness and adequacy of the Risk Management Systems of the Company.

## **10. REVIEW & AMENDMENT**

This Policy shall be reviewed by the Risk Management Committee and the Audit Committee on such intervals as may be necessary for smooth and robust business operations of the Company. The suggestions of the RMC and the Audit Committee shall be placed before the Board for confirmation and modification of the Policy. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

**For Himadri Speciality Chemical Ltd**

*Sd/-*

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Anurag Choudhary  
Chairman Cum Managing Director  
& CEO

**Dated: 10 February 2023**