

S Chand And Company Limited

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New Delhi – 110055

RISK MANAGEMENT POLICY

BACKGROUND

This document lays down the framework of Risk Management at S Chand And Company Limited (hereinafter referred to as the 'Company' or 'S Chand') and defines the policy for the same. This document shall be under the authority of the Audit Committee or Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

OBJECTIVE

The objective of Risk Management at S Chand is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

Strategic Objectives

Providing a framework that enables future activities to take place in a consistent and controlled manner

Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats

Contributing towards more efficient use/ allocation of the resources within the organization

Protecting and enhancing assets and company image

Reducing volatility in various areas of the business

Developing and supporting people and knowledge base of the organization.

Optimizing operational efficiency

REGULATORY

Risk Management Policy is framed as per the following regulatory requirements:

A. COMPANIES ACT, 2013

Provisions of the Section 134(3)

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

(n) 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) stipulates:

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

(vii) evaluation of internal financial controls and risk management systems.

SCHEDULE IV [Section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

II. Role and functions:

The independent directors shall:

- (1) 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;
- (2) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

Key functions of the Board

The Board should fulfil certain key functions, including:

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.

Ensuring the integrity of the company'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.

Role of Audit Committee

The role of the Audit Committee shall include the following:

Evaluation of internal financial controls and risk management systems;

Risk Management

The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

The Board shall be responsible for framing, implementing and monitoring the risk Management plan for the company.

The Board shall define the roles and responsibilities of the Audit Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

Information to be placed before Board of Directors

Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

APPLICABILITY

This Policy shall come into force with effect from 1st October, 2015.

DEFINITIONS

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing agreement as and when applicable.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

"Policy" means Risk Management Policy.

POLICY

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Audit Committee's role is evaluation of the risk management systems.

This policy shall complement the other policies of S Chand in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

Broad Principles

The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

Risk Identification is obligatory on all Business and Functional heads who with the inputs from their team members are required to report the material risks to the Managing Director (MD) and Whole-time Director along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by MD through participation of the Business /Functional heads and a preliminary report thus finalized shall be placed before the Audit Committee.

The following steps to be taken:

Risk identification:

To identify organization's exposure to uncertainty.

Risk may be classified in the following:

- ✓ Strategic
- ✓ Operational
- ✓ Financial
- ✓ Hazard/Environmental
- ✓ Internal
- ✓ External

Risk Description: To display the identified risks in a structured format

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Hazard/Environmental, Internal , External
Quantification of Risk	Significance and Probability
Risk Tolerance/ Appetite	Loss Potential and Financial Impact of Risk
Risk Treatment and Control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring and Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function Responsible to develop Strategy and Policy

Risk Evaluation:

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

Risk Estimation:

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

Reporting

Internal Reporting

- Audit Committee
- Board of Directors
- Business Heads
- Functional Heads

External Reporting

To communicate to the stakeholders on regular basis as part of Corporate Governance

Development of Action Plan

The Board will constitute an Audit Committee consisting of three (3) Directors of which 2 will be Independent Directors, and defined the Committee's role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of the Audit Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses S Chand is engaged in or shall undertake.

Audit Committee shall critically examine the report of MD and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

Guidelines to deal with the risks

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

Board Approval

The Action Plan and guidelines decided by the Audit Committee shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

Risk Treatment

Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

Effective and efficient operations

Effective Internal Controls

Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each

stage to ensure smooth achievement of the objective.

Risk Registers

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Audit Committee, and the Board.

Enterprise Risk Planning (SAP), Internal Audit Department and Business Excellence team shall play a key role in timely availability of all data/reports required for the Committee to develop the Action Plan as stated above.

The Board shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

ROLE OF Audit Committee

The following shall serve as the Role and Responsibility of the Audit Committee authorized to evaluate the effectiveness of the Risk Management Framework:

Review of the strategy for implementing risk management policy
To examine the organization structure relating to Risk management

Evaluate the efficacy of Risk Management Systems – Recording and Reporting
To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines
To define internal control measures to facilitate a smooth functioning of the risk management systems

Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

Integration of Risk Management Strategy

S Chand's risk management strategy is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

REVIEW

This policy shall evolve by review by the Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all Business /functional heads and other concerned persons of the Company.