

# **DCM Shriram Industries Limited: New Delhi**

## **Risk Management Policy**

***[ Revised pursuant to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]***

***(Approved by the Board of Directors on 08.08.2022)***

### **1. Preamble**

The Board of Directors pursuant to Regulation 17(9)(b) of the SEBI (LODR) Regulations, 2015 had laid down a Risk Management Policy to be followed by all concerned in the Units / Divisions and Offices of the Company.

The Company, DCM Shriram Industries Limited (DSIL), has come under top 1000 companies (993) based on Market Capitalization on National Stock Exchange Ltd. (NSE) as on 31.03.2022. Accordingly, the Company is required to comply with additional requirements under Regulations 21,34 & 43A of the above said Regulations, which inter alia, include constitution of a Risk Management Committee, laying down a Comprehensive Risk Management Policy, inclusion of Business Responsibility and Sustainability Report in the Directors' Report and laying down a Dividend Distribution Policy, etc.

The Board of Directors in its meeting held on 30.05.2022 while taking note of the additional compliances, constituted a Risk Management Committee under the Chairmanship of Shri Alok B. Shriram, Sr. Managing Director & CEO, Shri Vineet Manaktala, Director Finance & CFO, Shri Sanjay C. Kirloskar, Shri Manoj Kumar (directors) and Shri P. Sarangi, Chief Information Officer, as Members.

The following Risk Management Policy (RMP), reviewed and approved by the Risk Management Committee, be and is hereby approved as required under part D of Schedule II read with Regulation 21 of SEBI (LODR) Regulations, 2015 and notified for adherence by all concerned.

The RMP be issued under the signatures of Sr. MD & CEO.

### **2. Introduction**

Risk management is an integral component of good corporate governance and fundamental in achieving the Company's strategic and operational objectives. The process involves anticipation of risks and measures to be taken to eliminate or minimize risks. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

In DSIL a robust procedure to monitor risk elements in its various businesses was laid down by the Board in the year 2006 by which the operating Units place before the Board of Directors a half yearly status report on "Risk Assessment and Minimization Procedures" adopted by them. The areas covered in the Report are:

- i) Business Risks (obsolescence, growth in demand, competition, raw material availability, change in government policies),
- ii) Financial Risks (delays/ default in sales realization, recovery of advances, foreign exchange fluctuations),
- iii) Safety & Environment Risks (hazardous material, plant operation, pollution),
- iv) Risk from Natural Calamities,
- v) Political Risks and
- vi) HR/ Loss of Technology.

This Revised Policy provides the framework to manage the risks associated with the Company's activities. It is designed to identify, assess, monitor and manage risks.

### **3. Objectives**

The revised Risk Management Policy forms an integral part of the internal control and corporate governance framework of DSIL. The Company's Risk Management Policy endeavors to support its objectives, among others by:

- Ensuring sustainable business growth with stability and promoting a pro-active approach in reporting, evaluating and resolving risks associated with the business.
- 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.
- Evaluating the likelihood and impact of major adverse events.
- Developing responses to either prevent such events from occurring or manage and minimize the impact of such event, if it does occur.
- Identifying any unmitigated risks and formulating action plans for addressing such risks .
- Compliance with provisions of relevant legislations.

### **4. Statutory Requirements**

The Companies Act 2013 and SEBI Regulations have placed additional responsibilities on the Board of Directors and Management to have structured Enterprise-wide Risk Management which is reviewed and reported periodically

including;

- The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company
- The Audit Committee shall act in accordance with the terms of reference specified in writing by the board, which shall, inter alia, include evaluation of risk management systems
- Independent directors should satisfy themselves that systems of risk management are robust and defensible

The Board of the Company is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems. The Risk Management Committee will keep the Board posted about concerns, if any, in any areas of operations. The Sub-committee constituted by the Board comprising of Head of Operations will function under the Risk Management Committee as per terms of reference contained in this Policy.

### 5. Application of the Policy

The Policy shall apply across all operations of the Company and all support functions, wherever located.

### 6. Risk Management Structure



## **7. Roles and Responsibilities**

### **i. The Board**

- Approve and review the Risk Management Policy.
- Identify and assess internal and external risks in particular including financial, operational, sectoral, sustainability (particularly, Environmental Social and Governance (ESG) related risks, information, cyber security risks or any other risk that may impact the Company in achieving its strategic objectives or may threaten the existence of the Company.
- Define the role and responsibility of the Risk Management Committee and delegate monitoring and reviewing of the risk management plan to the Risk Management Committee and such other functions as it may deem fit; which also shall specifically covers the function related to the Cyber Security.
- Oversee the development and implementation of risk management framework and maintain an adequate monitoring and reporting mechanism.
- Formulate risk management strategy to manage and mitigate the identified risks.
- Give directions to the Audit committee and Risk Management Committee on top priority risks identified and its mitigation plan.

### **ii. Risk Management Committee:**

- To review and revise Risk Management Policy as and when required. Its role 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.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
- Recommend to the Board Policy for hedging Commodity Risk.
- The committee to meet at least twice in a year in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.
- Revise the reports of the Sub-Committee on Risk Management and redefine its roles.

### **iii. Sub-Committee of Head of Operations:**

The Sub-committee of Head of Operations will comprise of Head of operations of the three verticals with Head of Internal Audit as the Secretary. The Sub-Committee will:

- Draw up a Risk Management plan.
- Implement and monitor the principles, actions and requirements of the risk management plan.
- Provide necessary tools and resources to identify, manage and mitigate risks.
- Review risks on quarterly basis- identification of new risks, changes to existing risks, updating risk register etc.
- Report the status of risk items to the Risk Management Committee and Audit Committee periodically.
- Internal compliance and control systems for the implementation of the risk management plan.

### **iv. Internal Audit:**

Further, the independent Internal Audit function shall provide assurance on the integrity and robustness of the risk management process to the Audit Committee and Risk Management Committee.

## **8. Risk Management Process**

### **i. Risk Analysis**

Risk analysis involves consideration of the sources of risk, their consequences and the likelihood that those consequences may occur. The existing systems, control measures and procedures to control risk are identified and their effectiveness is assessed. The impact and likelihood of an event and its associated consequences are assessed in the context of the existing controls.

## **ii. Risk Identification**

Risk Identification is obligatory for all vertical and functional heads that with the inputs from their team members are required to report the material risks to the Sub-Committee along with their considered views and recommendations for risk mitigation. Analysis of all the risks thus identified shall be carried out by the Sub-Committee through participation of the vertical/functional heads.

## **iii. Risk Assessment**

Risk evaluation involves comparing the level of risk found during the analysis process against the pre-defined risk weights so as to assess their potential severity of loss and to the probability of occurrence. Risk weights of High / Medium / Low can be assigned based on parameters for each operating activity. The output of the risk evaluation is a prioritized list of risks for further action. If the resulting risks fall into the low or acceptable risk categories they may be accepted with minimal further treatment.

## **iv. Risk Response**

Risk response involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them. Options include avoiding the risk, reducing the likelihood of the occurrence, reducing the consequences, transferring the risk, and retaining the risk. Gaps will then be identified between what mitigating steps are in place and what is desired. The action plans adopted will be documented and its implementation tracked as part of the reporting process.

Ownership and responsibility for each of those risk mitigation steps will then be assigned. This will be captured in a 'Risk Assessment and Control Matrix' which comprising of the key top risks.

## **v. Reporting**

The Sub-Committee should provide assurance to the Audit Committee and Risk Management Committee with regards to the financial records, risk management with particular reference to environment and internal compliances.

Risks will be continuously monitored and reviewed; and the effectiveness of the controls in place and of the risk action plans is assessed to ensure changing circumstances do not alter risk priorities.



**vi. Policy Review**

This policy shall be reviewed periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity to ensure effectiveness and that its continued application and relevance to the business. Feedback on the implementation and the effectiveness of the policy will be obtained from the risk reporting process, internal audits and other available information.

Date: 08.08.2022



**(Alok B. Shriram)**

Sr. Managing Director & CEO