



CENTURY ENKA LIMITED

RISK MANAGEMENT POLICY

Document Control

Document version

This Risk Management Policy document is version 1.0.

Revision history

Sr. No.	Date of preparation / modification	Version No.	Modified by	Reviewed by	Approved by
1	10/08/2021	1.0	Legal & Secretarial Department	Risk Management Committee	Board of Directors

Issuing Authority

This policy document is approved by the Board of Directors of the Company.

Author and Responsible Official

This policy document is to be maintained and updated by way of additions, deletions and modifications, only by the Legal and Secretarial Department subject to review of Chief Financial Officer and/or Managing Director and presented before the Risk Management Committee for review & recommendation to the Board for approval.

Every time the policy document is edited, the version increases by one unit and the version is to be mentioned in the Document Control section.

Applicability and Usage

This policy document applies to Century Enka Limited.

1. PREFACE

Risks are events, situations or circumstances which may lead to negative consequences on a Company's business. The operations of the organisation are exposed to various type of risks, both external as well as internal. Risk Management refers, the practice of identifying potential risks in advance, analysing them and taking precautionary steps to reduce/curb the risk.

Century Enka acknowledges that risk management is an essential element in the framework of good corporate governance and is an integral part of good management practice.

Section 177(4) of Companies Act, 2013 talks about term of reference of Audit Committee which inter alia include evaluation of Risk Management System. Section 134(3)(n) of the Companies Act, 2013 requires every company to attach to its Board Report a statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of element of risks, if any, which in the opinion of the Board may threaten the existence of the Company.

Role and Functions of Independent Director prescribed in Part II of Schedule IV of the Companies Act, 2013 said that Independent Director satisfy themselves that system of Risk Management is robust and defensible.

Regulations of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (herein after called as "LODR") talks as under:

- a) Regulation 4(2)(f)(ii) of Chapter II deals with Principles Governing Disclosures and Obligations of Listed Entity. It talks about key functions of Board of Directors which also include Risk Policy and Systems for Risk Management.
- b) SEBI issued a circular on 5th May 2021 that Risk Management Committee shall be applicable to top 1000 Companies. Regulation 21 of LODR lay down the constitution of Risk Management Committee and the Board of Directors shall define the role and responsibility of the Committee and may delegate monitoring and reviewing of the risk management plan.
- c) Pursuant to Part D of Schedule II, Role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions as specified in schedule.
- d) Regulation 17(9) of LODR state that the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan and shall lay down procedures to about risk assessment and minimization procedures.
- e) Schedule-V of LODR deals with Annual Report, which state that Management Discussion and Analysis shall include a section covering Risk and Concern.

Hence, it become mandatory for the listed Companies to prepare a comprehensive framework of risk management and will cover activities at all levels of the organization.

2. DEFINITION

1. **"Act"** means the Companies Act, 2013 and includes any amendment from time to time.
2. **"Risk Management Committee"** means "Risk Management Committee" constituted by the Board of Directors of the Company, pursuant to Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 and as amended from time to time.
3. **"Board"** shall mean the Board of Directors of the Company.
4. **"Company"** shall mean Century Enka Limited.
5. **"Risk Co-ordinator"** means the person appointed by Risk Management Committee, to overview effectiveness of Risk Management Framework.
6. **"Inherent Risk"** means the current risk level given the existing set of controls, which may be incomplete or less than ideal, rather than an absence of any controls.
7. **"LODR" means** Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 and includes any amendment from time to time.
8. **"PBIDT"** means Profit before Interest, Depreciation and Tax
9. **"Residual Risk"** means net risk after considering existence and effectiveness of controls for each inherent risk. Residual risk is assessed by determining how well the risk mitigation strategies / controls mitigate the level of inherent risk in the sub-activities using probability of occurrence, magnitude of impact and professional Judgement.
10. **"Risk Management Committee (RMC)"** means the Committee constituted by the Company to monitor and review of the Risk Management Policy / Plan and such other functions pertaining to risk management,
11. **"Risk Appetite"** means the amount of risk, on a broad level, an organization is willing to accept in pursuit of value.
12. **"SEBI"** means Securities and Exchange Board of India.
13. **"Unit"** means offices, godown & manufacturing location of the Company.

3. PURPOSE

The purpose of this Policy is to ensure:

- Risk awareness,
- Financial sustainability,
- Achievement of corporate objectives,
- Protection of staff and business assets,
- Mitigation of Risks to the extent feasible,
- Improved compliance with relevant legislation,
- Appropriate Risk Management Framework is in place.

4. OBJECTIVES

The application of this policy and related framework shall:

- Establish clear roles, responsibilities and reporting lines for risk management,
- Provide systematic approach and use of special tools for risk management,
- Integrated approach to risk management at strategic level i.e. all key decision & planning,
- Align the corporate strategies & objectives to the risk appetite,
- Provide Board / Management oversight,
- Develop a more risk aware organizational culture.

5. SCOPE OF POLICY

The scope of policy is:

- a) To cover all activities and processes associated with all plants, offices, godown of the Company,
- b) To cover all Directors, officers, employees, workers and contractors of the Company,
- c) To comply with all directions of the Board and Committees.

6. TYPES OF RISKS

As risks are associated with business, therefore they vary from business to business. Some common risks are:

- Human risks- related to employees or workers,
- Physical risk- related to physical assets,
- Technology risk- related to technology,
- Financial risk- related to financial planning, projection and fluctuation in foreign exchange,
- Strategic risk- related to business strategy,
- Compliance risk- related to non-compliance of various laws at local, state, and central levels applicable to the Company,
- Legal Risk: related to exposure of litigations / legal action,
- Environmental risk: related to pollution caused in environment,
- Health, Safety & Environment – related to health, safety and working environment of all workers and employees,
- Any other type of risk which do not fall under above categories.

7. RATING OF RISK

The Risk / mitigation control will be rated on as under:

a) Consequences and Impact of Risk: it will be rated on the scale of 1 - 4 as per the following

Rating	Consequences/ Impact	% of impact of the risk event on PBIDT*
1	Low	Less than 1.0
2	Moderate	1.0 to < 2.0
3	High	2.0 to < 5.0
4	Extreme	5.0 and above

*Annual Budget PBIDT of the Unit

b) Probability of Risk: Probability of risk event happening may not necessarily be linked to past occurrence, though that can be a guiding factor. The probability is to be estimated based on current likely scenario in next twelve months. It will be rated on the scale of 1-4 as per the following:

Rating	Probability	Occurrence
1	Unlikely	May occur once or twice in the next 12 months (up to 5% chance of occurrence)
2	Possible	May occur more than twice in the next 12 months (up to 20% chance of occurrence)
3	Likely	High, May occur more than three times in the next 12 months (up to 75% chance of occurrence)
4	Regular	Very High, will be routine feature almost every month in the next 12 months (75% or greater chance of occurrence)

c) Risk Rating based on consequences & probability: it will be rated as follow:

Likelihood	Minor	Moderate	High	Extreme
4				
3				
2				
1				
Consequences/Impact	1	2	3	4

d) Risk rating of Non-Quantifiable Risks: In respect of risk where quantification (of likely impact on PBIDT) is not possible; for e.g. Safety risk leading to loss of life / disasters/ reputations risk etc., the following criteria will be used for rating:

Criteria	Particulars
Low	Minor disruption to day to day activities without affecting overall plant operations, safety risks requiring medical treatments/first aid treatments (category-1 & 2 incidents), minor explosion etc.
Moderate	Moderate disruption of operations upto 1 day, safety risks requiring Restricted Work Case or health effects (including temporary partial disability or occupational illness) affecting work performance in the short to medium term (category 3 incidents), all legal non compliances other than those covered under Extreme and High risk category, reputation loss at Local level etc.
High	Major disruption of operations (1-3 days) , Lost time Injury (LTI) or Permanent Total Disability from an accident or occupational illness with irreversible health damage (category 4 incidents), any Legal non- compliance leading to penalty, reputation loss at regional level
Extreme	Loss of business functionality for more than 3 days/ capability for continued operations, safety risks leading to extensive/ multiple injuries/ possible loss of life (category 5 incidents)/ disasters, any Legal non- compliance leading to prosecution of directors/ senior management, reputation loss at National/ International level etc.

All the qualitative risk need to be plotted in the heat map in the respective quadrant (minor, major, high, extreme) with a Q mark to indicate that the risk is qualitative in nature.

e) Mitigation control effectiveness (MCE) rating: MCE is the existence/effectiveness of risk mitigants with respect to the assessed risk in the existing business processes. The effectiveness of the mitigating control will be rated on scale of 1 – 4 as per the following:

Rating	MCE	Rating Criteria
1	Non-Existent (NE)	No mitigation controls exist
2	Ineffective (I)	Existing controls are either not designed effectively or not operating effectively or both
3	Partially Effective (PE)	Existing controls are designed effectively but operating partially with open exposure to the risk impact or likelihood or both in part or full
4	Effective (E)	Existing controls which are designed & operating effectively could significantly reduce either the risk impact or likelihood or both

8. IDENTIFICATION OF RISKS

Based on the challenges faced in the last 10 years and the experience gained in mitigating the impact of risks on business, the list of risk should be identified in the prescribed format. The format can be modified from time to time based on the requirements of the Company. The Company's Senior Management is responsible for identification of various risk.

9. ASSESSMENT AND RE-ASSESSMENT OF RISKS

The risk so identified whether quantifiable or non-quantifiable shall be rated on the basis of criteria i.e. consequences/impact, probability and consequences & probability as prescribed in Topic "Rating" elsewhere in the policy. Every risk should be re-assessed quarterly and rating will be given accordingly.

The risk should also be rated based on mitigation control effectiveness prescribed elsewhere in the policy.

The Company has prescribed a format for identification, assessment and reassessment of risk. The format can be suitably modified from time to time. The new risk as and when arise will be assessed and will be made part of Reporting System.

The Company's Senior Management is responsible for assessment and re-assessment of the risks.

10. MONITORING AND REVIEW BY MANAGEMENT

The Company has a Standard Operating Procedures (SOPs), in various areas of operation, which are in existence and followed. The said SOPs will be modified from time to time based on the requirements. The Company also have a Management Information System (MIS) for reporting, review and actions. The said MIS will be modified suitably to establish a uniform reporting system.

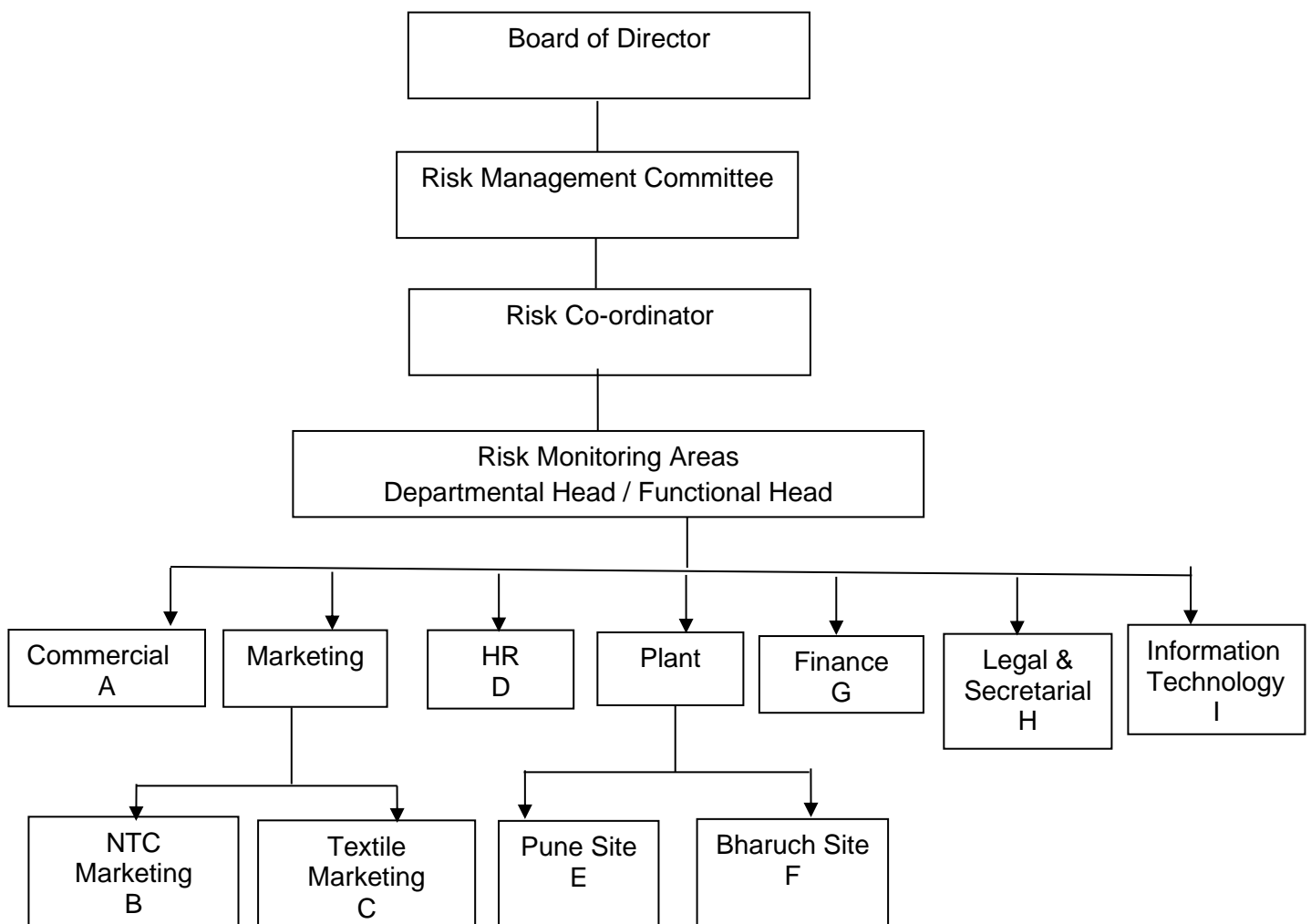
The Company's Senior Management is responsible for monitoring and review of the risk. The senior management of respective department or functional heads will prepare a MIS and will communicate to Risk Co-ordinator.

11. RISK CO-ORDINATOR

The Company Secretary and Compliance Officer will be the Risk Co-ordinator. He will overview effectiveness of Risk Management Framework.

12. GOVERNANCE STRUCTURE

The Company's Risk Management Framework is supported by the respective departmental head / functional head of each department / function under the supervision and guidance of Risk Management Committee of the Board. A Risk Management Governance structure have been given below:



13. EVALUATION AND REVIEW BY RISK MANAGEMENT COMMITTEE

The risk report will be evaluated quarterly by the management and report in specified format will be placed before the Risk Management Committee meeting. The Risk Management Committee will review the risk twice in a year. The Report will, inter alia, contain:

- (1) General review with specific areas covered during the quarter;
- (2) Exceptional events, if any, period during which happen and their impact;
- (3) Non Compliance, if any, with Risk Management Policies / Systems
- (4) Risk events, Mitigation plan and category of risk i.e. Initial risk, Mitigation Control Effectiveness (MCE) & Residual Risk.

14. GUIDING PRINCIPLES FOR ACHIEVING ABOVE OBJECTIVES

The Management will primarily pursue the following guidelines:

- (1) Encourage risk identification and inculcate culture amongst employees,
- (2) Anticipating and avoiding risks rather than dealing with their consequences,
- (3) Giving an early warning to potential problems,
- (4) Balancing cost of risk management and impact of risks with benefits of reducing risk (i.e. not to counter risks where the cost and effort are disproportionate to the impact),
- (5) Developing and keeping ready, use of contingency plans for dealing with high risk areas,
- (6) Zero appetite for keeping assets of the company uninsured and keeping the consequential loss of profit fully insured.

15. REVIEW OF POLICY

The Risk Management Policy shall be a dynamic policy which will be reviewed and updated from time to time. However, no such amendment or modification will be binding unless the same is notified in writing and will be effective from the date of Notification.