Chettinad cement

CHETTINAD CEMENT CORPORATION LIMITED

RISK MANAGEMENT POLICY

A. INTRODUCTION:

This document lays down the framework of Risk Management at Chettinad Cement Corporation Limited (hereinafter referred to as the 'Company' or 'CCCL) and defines the policy for the same. This document shall be under the authority of the 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.

B. OBJECTIVE:

The objective of Risk Management at CCCL is to minimize threats or losses, and identifying and maximizing opportunities.

Strategic Objectives

a) Providing a framework that enables future activities to take place in a consistent and controlled manner
b) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats
c) Contributing towards more efficient use/ allocation of the resources within the organization
d) Protecting and enhancing assets and company image
e) Reducing volatility in various areas of the business
f) Developing and supporting people and knowledge base of the organization.
g) Optimizing operational efficiency

C. REGULATORY:

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

a) COMPANIES ACT, 2013

1. 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.

2. 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 evaluation of internal financial controls and risk management systems.

b) SCHEDULE IV
[Section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

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;

c) ROLE OF AUDIT COMMITTEE

The role of the Audit Committee shall include the Evaluation of internal financial controls and risk management systems

D. **DEFINITIONS:**

"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).

"**Audit Committee"** means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013.

"Policy" means Risk Management Policy.

E. **RISK MANAGEMENT / IDENTIFICATION STRATEGY:**

The Board has to 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.

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

Analysis of all the risks thus identified shall be carried out by Managing Director through participation of the vertical/functional heads.

The following steps to be taken:

(1) **Risk identification**: To identify organization's exposure to uncertainty, risk may be classified in the following:

a. Strategic
b. Operational
c. Financial
d. Hazard

(2) **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
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

(3) **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.

(4) **Risk Estimation:**

Risk Estimate can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

(5) Reporting:

a) Audit Committee

b) Board of Directors

c) Functional Heads

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 to 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 be developed and guidelines flowing from such plan be communicated to the employees concerned for mitigation of the risks.

BOARD APPROVAL:

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

Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a) Effective and efficient operations

b) Effective Internal Controls

c) 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.

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:

a) Review of the strategy for implementing risk management policy
b) To examine the organization structure relating to Risk management
c) Evaluate the efficacy of Risk Management Systems – Recording and Reporting
d) To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk
e) Management Policy and relevant regulatory guidelines
f) To define internal control measures to facilitate a smooth functioning of the risk management systems
g) 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.
h) Integration of Risk Management Strategy

PENALTIES

The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk Management Framework in place and its disclosure. Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakhs rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakhs rupees, or with both.

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 vertical/functional heads and other concerned persons of the Company.

This policy has been recommended to the Board and approved by the Board.