

**DORF-KETAL CHEMICALS INDIA LIMITED**

**RISK MANAGEMENT POLICY**

## RISK MANAGEMENT POLICY

### PREFACE

Title	RISK MANAGEMENT POLICY
Version No.	2
Effective Date	<u>27<sup>th</sup> June, 2024</u>
Authorized By	Board of Directors vide resolution dated <u>30<sup>th</sup> September, 2024</u>
Number of Revision (Since 27th June, 2024)	1
Last Revised Date	30 <sup>th</sup> September, 2024

#### 1.1. Objective

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy (“Risk Management Policy”) establishes a structured and disciplined approach to Risk Management, including the development of the Risk Register, in order to guide decisions on risk evaluating and mitigation related issues. The Risk Management Policy is in compliance with the Regulation 17(9)(b) read with Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of the Companies Act, 2013, which requires the Company to lay down procedures about risk assessment and risk minimization.

#### 1.2. Applicability

This policy applies to all areas of the Company’s operations.

#### 2. Definitions

- 2.1. **Company:** It means Dork-Ketal Chemicals India Limited.
- 2.2. **Risk:** Risk in literal terms can be defined as the effect of uncertainty on the objectives. A business risk is the threat that an event or action will adversely affect an enterprise’s ability to maximize stakeholder value and to achieve its business objectives.
- 2.3. **Risk Management:** Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect the achievement of a corporation’s strategic and financial goals.
- 2.4. **Risk Assessment:** Risk Assessment is defined as the overall process of risk analysis and evaluation.
- 2.5. **Risk Register:** A ‘Risk Register’ is a tool for recording the risks identified under various

## **RISK MANAGEMENT POLICY**

operations.

- 2.6 **Risk Management Policy:** Risk Management Policy is a statement of the overall intentions and direction of an organization related to Risk Management.
- 2.7 **Risk Management Framework:** Risk Management Framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout the organization.
- 2.8 **Risk Management Plan:** Risk Management Plan is a scheme or an operation plan within the Risk Management Framework specifying the approach, management components and resources to be applied to management of risk.
- 2.9 **Risk Strategy:** The Risk Strategy of an organization defines its readiness towards dealing with various risks associated with the business. It describes the organization's risk appetite or tolerance levels and decision to transfer, reduce or retain the risks associated with the business.
- 2.10 **Risk Estimation:** Risk Estimation is the process of carrying out quantitative, semi-quantitative or qualitative assessment of risk in terms of the probability of occurrence and the possible consequence.
- 2.11 **Risk Identification:** Risk Identification is a process of finding, recognizing, and describing risks.
- 2.12 **Risk Source:** Risk Source is an element which alone or in combination has the intrinsic potential to give rise to risk.
- 2.13 **Risk Treatment:** Risk Treatment is a process to modify a Risk. It that deals with negative consequences is also referred to as 'Risk Mitigation', 'Risk Elimination', 'Risk Prevention' and 'Risk Reduction'. It can create new risks or modify existing Risks.

### **3. Risk Management**

#### **Principles of Risk Management**

- 3.1 The Risk Management shall provide reasonable assurance in protection of business value from uncertainties and consequent losses.
- 3.2 All concerned process owners of the Company shall be responsible for identifying and mitigating key risks in their respective domain.
- 3.3 The occurrence of risk, progress of mitigation plan and its status will be monitored on a periodic basis.
- 3.4 The Company adopts the Plan, Implement, Measure, and Learn (PIML) approach to continuously improve risk management practices.
- 3.5 Control activities, including regular reviews and audits, are implemented to ensure risk responses are effective and efficient.
- 3.6 The Company's risk management framework includes performance evaluation through monitoring, measurement, analysis, and evaluation of risks.

### **4. Risk Governance**

- 4.1 The Board of Directors of the Company shall form a Risk Management Committee

## RISK MANAGEMENT POLICY

(hereinafter referred to as “Committee”) who shall periodically review the risk management policy of the Company so that the management controls the risk through properly defined network.

- 4.2 The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.
- 4.3 The Committee shall have a minimum of 3 members with majority of them being members of board of directors including at least 1 independent director. The Chairperson of the Committee shall be a member of the Board of Directors and Senior Executives of the Company may be members of the committee.
- 4.4 The Risk Management Committee shall monitor the risk and submit the report to the Board of Directors.
- 4.5 The day-to-day oversight and management of the Company’s risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems, processes and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks.
- 4.6 The Board may review the performance of the Risk Management Committee periodically. Risk Management structure of the Company shall be as follows:



### 4.7 Terms of Reference of Risk Management Committee:

- a) managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- b) setting up internal processes and systems to control the implementation of action plans;
- c) regularly monitoring and evaluating the performance of management in managing risk;
- d) providing management and employees with the necessary tools and resources to identify and manage risks;
- e) regularly reviewing and updating the current list of material business risks;
- f) regularly reporting to the Board on the status of material business risks;
- g) ensuring compliance with regulatory requirements and best practices with respect to risk management;
- h) evaluate risks related to cyber security and ensure appropriate procedures are placed to mitigate these risks in a timely manner;
- i) coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk

## **RISK MANAGEMENT POLICY**

- management policy or practice);
- j) access to any internal information necessary to fulfil its oversight role;
- k) authority to obtain advice and assistance from internal or external legal, accounting or other advisors;
- l) periodically review the risk management processes and practices of the Company and ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.

4.7.1 Risk Council comprising inter alia senior executives may be constituted for supporting the functioning of Risk Management Committee.

### **4.8 Meetings and Quorum**

The Risk Management Committee shall meet at least twice in a year.

The meetings of the RMC shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings.

The quorum for a meeting of the RMC shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

## **5. Risk Management Procedures**

### **5.1. General**

The Risk Management process includes four activities: Risk Identification, Risk Assessment, Risk Prioritization, Risk Mitigation and Risk Monitoring & Reporting.

### **5.2. Risk Identification**

The purpose of risk identification is to identify internal and external risks specifically faced by the Company, in particular including Financial, Operational, Hazardous Material and Environmental Risks, Health and Safety, Regulatory Compliance and Changes, Intellectual Property and Innovation Risks, Sectoral, Sustainability (particularly, ESG related risks) and Climate Change, Information, Technology and Cyber security risks or any other risk as may be determined by the Committee and the events that can have an adverse impact on the achievement of the business objectives. All risks identified are documented in the form of Risk Register.

### **5.3. Risk Assessment**

Risk Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence. Each identified risk is assessed on two factors which determine the risk exposure:

- A. Impact of the event occurs

## **RISK MANAGEMENT POLICY**

### B. Likelihood of event occurrence

**Risk Categories:** It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments, each of the Risks can be categorized as –Low, Medium, and High.

## **6. Risk Prioritization**

- 6.1 After the risk assessment is completed, it is the responsibility of the Risk Management Committee to prioritize the key risks to determine which risk are considered critical and need to be addressed on a priority basis.
- 6.2 All risks that fall into the red zone are considered high risk and require immediate attention in terms of Risk Management. The findings of risk prioritization are presented to the Board of Directors of the Company.

## **7. Risk Mitigation**

The following framework shall be used for implementation of Risk Mitigation:

- 7.1 Once the top or critical risks are prioritized, appropriate risk mitigation and management efforts to effectively manage these risks are identified.
- 7.2 Risk mitigation strategy, systems and processes for internal control of identified risks involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The risk mitigation strategies may include managing the risk through implementation of new internal controls, accepting certain risks, taking insurance, and finally avoiding certain activities that result in unacceptable risks.
- 7.3 Risk mitigating strategy would further involve Business continuity plan would involve conducting a business impact analysis, identifying resources needed with a gap analysis and implementing recovery strategies essential to bouncing back after an unanticipated event.

## **8. Establishing the Context**

Implementing robust measures to enhance its risk management framework, ensuring comprehensive coverage of all critical areas. Adequate support and resources, including financial, technical, and human resources, are allocated to manage risks effectively. Regular training and awareness programs ensure that all employees are knowledgeable about their roles in risk management. Effective communication channels and thorough documentation are maintained for transparency and accountability. The Board of Directors, along with the Risk Management Committee, oversees the process, fostering a culture of ethical behavior and clear responsibility. The company manages risk information systematically, ensuring timely reporting and informed decision-making. Identified risks are assessed and prioritized based on their impact and likelihood, with defined risk appetite and tolerance levels. Mitigating actions are developed for critical risks, and sensitivity analysis and stress testing are conducted. Environmental and social risks are addressed, with clear reporting structures and communication channels established to keep stakeholders informed.

## **RISK MANAGEMENT POLICY**

The Risk Management Committee regularly reviews and updates the policy to ensure its effectiveness and alignment with best practices. This comprehensive approach supports sustainable business growth and stability.

### **9. Risk Monitoring & Reporting**

- 9.1 The Risk Management Committee shall monitor critical risks, enter details in the risk register, and report to the Board of Directors of the Company.
- 9.2 Performance evaluation includes monitoring, measurement, analysis, and evaluation of risks, supported by both external and internal audits.
- 9.3 Senior management is responsible for reviewing existing risks and adding newly identified material risks at least quarterly, ensuring risk records are updated.
- 9.4 Key risk reports, including the progress of risk treatment implementation and effectiveness of controls, are reviewed by the Executive Committee quarterly.
- 9.5 Reports relating to the risk management framework are reviewed by the Board, with "risk management" being a standing item on each meeting agenda.
- 9.6 The Company's internal audit team, in collaboration with external consultants, conducts regular audits to identify risk areas and present findings in quarterly Board meetings. This collaborative approach strengthens the company's risk control mechanisms.

### **10. Review of Risk Management Policy**

- 10.1 The Risk Management Committee shall be responsible for the implementation of the policy. The policy document shall be reviewed and approved by the Board of Directors.
- 10.2 Internal audits, conducted by both external consultants and the in-house internal audit team, assess the effectiveness of risk management systems, internal control systems, and compliance management systems.
- 10.3 Management reviews will encompass company-specific risk factors and opportunities, detailing principal material risks and opportunities, the company's risk appetite, changes over time, and responses to these changes.
- 10.4 The Risk Management Committee reviews and analyzes the effectiveness of the risk management framework and internal compliance and control systems, reporting findings to the Board at least annually.
- 10.5 The Risk Management Committee shall establish a reporting mechanism to keep the Board informed about identified risks, assessed priorities, mitigation plans, and their implementation status. This ensures a robust review process and supports continuous improvement in risk management practices.

### **11. Improvement and Continual Enhancement**

#### **11.1 Non-conformity and Corrective Action**

The Company shall establish a process to handle non-conformities and ensure corrective actions are taken. This involves:

- Identifying and addressing instances where the risk management system does not conform to the set requirements.
- Implementing corrective actions to eliminate the causes of non-conformities to prevent

## **RISK MANAGEMENT POLICY**

recurrence.

- Recording and documenting all non-conformities and corrective actions.
- The Internal Audit department, in cooperation with external consultants, is responsible for regularly auditing the effectiveness and appropriateness of the risk management system, internal control systems, and the compliance management system.

### **11.2 Continual Improvement**

The Company is committed to the continual improvement of the risk management system by:

- Regularly reviewing and updating risk management practices to incorporate lessons learned and enhance the overall system.
- Setting up mechanisms to evaluate the performance of the risk management processes and identifying areas for improvement.
- Encouraging all employees to participate in the process of continual improvement by providing feedback and suggestions.
- Regularly considering exceptional situations and having a crisis management organization in place to proactively create contingency plans. This demonstrates a commitment to continual improvement in crisis preparedness and management processes.
- Establishing risk-specific monitoring and control systems, suggesting an ongoing effort to enhance the effectiveness of risk management processes.

### **11.3 Monitoring and Review**

Risk monitoring and review include the ongoing evaluation of the risk management system to ensure its effectiveness and alignment with organizational objectives. This includes:

- Measuring risk management performance against established indicators, with periodic reviews for appropriateness.
- Ensuring that the risk management framework, policy, and plan are still suitable given the internal and external context of the organization.
- Reporting progress on the risk management plan and adherence to the risk management policy.
- Reviewing the effectiveness of the risk management framework periodically to ensure it remains fit for purpose.

The policy emphasizes the importance of continual improvement in the risk management process. The continual improvement aspect is implied by the establishment of risk-specific monitoring and control systems, suggesting an ongoing effort to enhance the effectiveness of risk management processes.

## **12. Amendment**

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or



## **RISK MANAGEMENT POLICY**

the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.