



Alok Industries Limited

Risk Management Charter and Policy Document

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1.0	October, 2021	Alok Industries Ltd	Release date
1.1	Meeting of BOD	Alok Industries Ltd	<ol style="list-style-type: none">1. Constitution , reporting and roles & responsibilities of Steering Risk Management Committee ('SRMC')2. Quorum of various committees3. Secretary of SRMC, CRMC& PRMC4. Addition of few members in CRMC

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Risk Management Charter and Policies

1. Introduction

Alok Industries Limited ('the Company') has identified need for an efficient, effective, and demonstrable Risk Management process within the company. This document demonstrates Management's acceptance of a set of self-regulatory processes and procedures for ensuring the conduct of the business in a risk conscious manner.

The Risk Management Charter and underlined Policies ('the Charter') are intended to enable the Company to adopt a defined process for managing its risks on an ongoing basis. An important purpose of the Charter is to implement a structured and comprehensive risk management system, which establishes a common understanding, language and methodology for identifying, assessing, monitoring and reporting risks and which provides management and the Board with the assurance that key risks are being identified and managed. This Charter is an integral part of the Risk Management Framework adopted by the Company. The policies underlined herein define the mechanism by which the Company will identify, measure, and monitor its significant risks. This Charter will also fulfil the requirements of

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

The Board is responsible for establishing and overseeing the establishment, implementation and review of the risk management system. The Board may delegate to any other person or committee the responsibility of reviewing the effectiveness of the risk management system. The Charter may be reviewed as business and market circumstances change. All changes to the Charter should be approved by the Board.

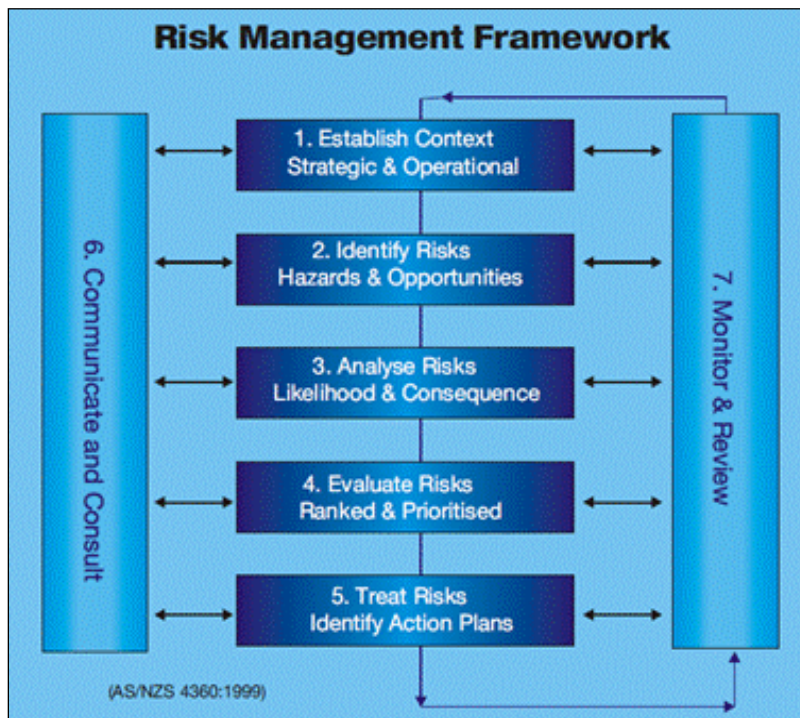
2. Risk Management Charter

The Company is committed to high standards of business conduct and good risk management to:

- Protect the company's assets;
- Achieve sustainable business growth;
- Avoid major surprises related to the overall control environment;
- Safeguard shareholder investment; and
- Ensure compliance with applicable legal and regulatory requirements.

This Charter is intended to ensure that an effective risk management framework is established and implemented within the Company and to provide regular reports on the performance of that framework, including any exceptions, to the Board of Directors of the Company.

This Charter complements and does not replace other existing compliance programs. This Charter is built on the established principles of sound risk management as detailed in recognised sources such as the Risk Management Standard AS/NZS 4360:1999 as also the BS ISO 31000 international standard for risk management.



2.1 Applicability

This Charter is applicable from the date as mentioned on the “Document Control Sheet” and applies to whole of the Company and includes all functions and departments.

2.2 Risk Management Objectives

The objective of Risk Management is to help managers make informed decisions which:

- Provide a sound basis for integrated enterprise-wide risk management as a component of good corporate governance;
- Improve business performance by informing and improving decision making and planning;
- Promote a more innovative, risk awareness culture in pursuit of opportunities to benefit the Company.

To realize the risk management objective, the Company aims to ensure that:

- The identification and management of risks is integrated in the day to day management of the business;
- Risks are identified, assessed in the context of the Company's appetite for risk and their potential impact on the achievement of objectives, continuously monitored and managed to an acceptable level;
- The escalation of risk information is timely, accurate, and complete, to support decision making at all management levels.

2.3 Risk Management Principles

The principles contained in this policy will be applied at both corporate and operational levels to all locations within the Company. These are broadly divided in two parts viz. General Principles and Specific Principles.

Risk Management Charter and Policies

2.3.1 General Principles

The general principles are:

- All risk management activity will be aligned to corporate aims, objectives and organizational priorities of the Company;
- Risk analysis will form part of the company's strategic planning, business planning and investment / project appraisal procedures;
- Managers and staff at all levels will have a responsibility to identify, evaluate and manage and / or report risks;
- Risks will be primarily managed by the business functions transacting the business which gives rise to risks;
- The Company will foster a culture which provides for spreading best practice, lessons learnt, and expertise acquired from risk management activities across the Company for benefit of the entire Company.

2.3.2 Specific Principles

The specific principles are:

- Risk Management in the Company should be proactive and reasoned. Corporate and operational risks should be identified, objectively assessed, and actively managed.
- The aim is to anticipate, and where possible, avoid risks rather than dealing with their impact. However, for some key areas where the probability/ likelihood of a risk occurring is relatively small, but the impact on the Company is high, the Company may cover that risk by developing contingency plans, e.g. Business Continuity Plans. This will allow the Company to contain the negative effect of unlikely events which might occur.
- In determining an appropriate response, the cost of control / risk management, and the impact of risks occurring will be balanced with the benefits of reducing risk. This means that the company will not necessarily set up and monitor controls to counter risks where the cost and effort are disproportionate to the impact or expected benefits.
- The Company recognizes that some risks can be managed by transferring them to a third party, for example by contracting out, or possibly, by insurance.

2.4 Definitions

This Risk Management policy is formed around a common understanding of terminology used in this document.

Risk

The risk of a direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. It can also be defined as an anticipated event or action that has a chance of occurring, which may result in a negative impact.

Risk Management

The systematic process of identifying, analyzing, and responding to anticipated future events that have the potential to generate unwanted effects.

Risk Analysis

The process of determining how often specified events may occur (probability/ likelihood) and the magnitude of their consequences Probability/ likelihood.

Risk Management Charter and Policies

Risk Evaluation

The process used to determine Risk Management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria, to generate a prioritized list of risk for further monitoring and mitigation.

Risk Assessment

Risk assessment is the combined process of Risk Analysis and Risk Evaluation.

Risk Classification / Risk Baskets

Risk elements are classified into various risk classes, termed as 'risk baskets'. Risks are grouped for better management and control. Each risk basket is appropriately defined for the purpose of common understanding. List of risk classes / baskets along with their definitions is attached as **Annexure I**. This list may be modified in future to add / modify new risk baskets that may emerge.

Risk Appetite

Risk Appetite is defined as the amount of risk an entity is willing to take given its capacity to bear risk and its risk philosophy. Risk Appetite is determined for each business area. The Company's Board intends to define its risk appetite in value terms over a period of time, after the process is implemented for a few years.

2.5 Structure

The Risk Management Structure, roles and responsibilities are set out in Chapter 3.

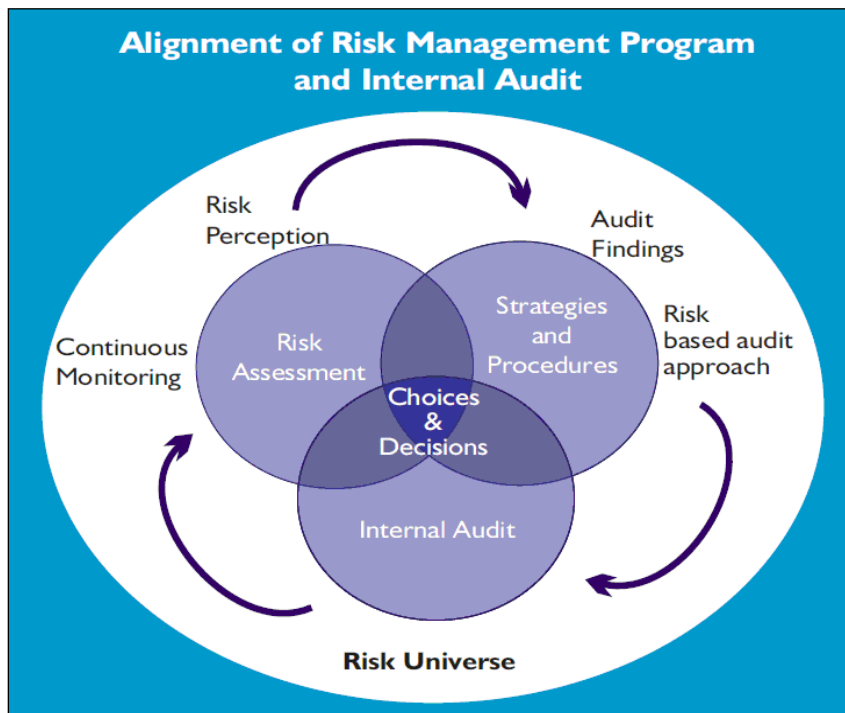
2.6 Risk Management Approach

The Risk Management Approach is explained in detail in Chapter 4.

2.7 Relationship with Internal Audit Function

The Company recognises the synergy and inter-dependence between the internal audit function and the risk management program and wishes to draw up a plan that will ensure that:

- Internal Audit function provides effective, independent and objective evaluation of risk management process at regular intervals;
- Internal Audit plans are drawn up based on outcomes of risk assessment program;
- Risk management program receives constant inputs on controls evaluation from the internal audit function;
- Structured approach and mechanism is followed.



2.8 Documentation

Appropriate documentation at each stage of the risk management process should be followed. This framework provides a guide to documentation standards and how they are to be utilized.

The documentation will serve following purposes:

- demonstrate that the risk management process is conducted properly;
- provide evidence of a systematic approach to risk identification and analysis;
- provide a record of risks to support the development of a database of the Company's risks;
- provide risk treatment plans for approval and subsequent implementation
- provide accountability for managing the risks identified;
- facilitate continuous monitoring and review;
- provide an audit trail; and
- share and communicate risk management information across the Company.

The responsibility for documenting individual risks has been assigned to the risk owners. The Heads of Corporate Risk Management Committee ('CRMC') at Corporate and the heads of Plant Risk Manager Committee ('PRMC') for the plants would be responsible for ensuring that the required documentation has been maintained.

The key documents pertaining to the risk management process that need to be maintained by the Company are:

- Risk Management Charter and Policies
- Risk Register:
Containing list of all risks that have been identified during the periodical review. It is the key document used to communicate the current status of all known risks and is used for management control, reporting and reviews. The consolidated risk register for Alok Industries Ltd is owned by the Risk Management Committee ('RMC'). There will be a risk register maintained for corporate functions by the CRMC and for the plants by the PRMC. A Template of the risk register is given as **Annexure II**.

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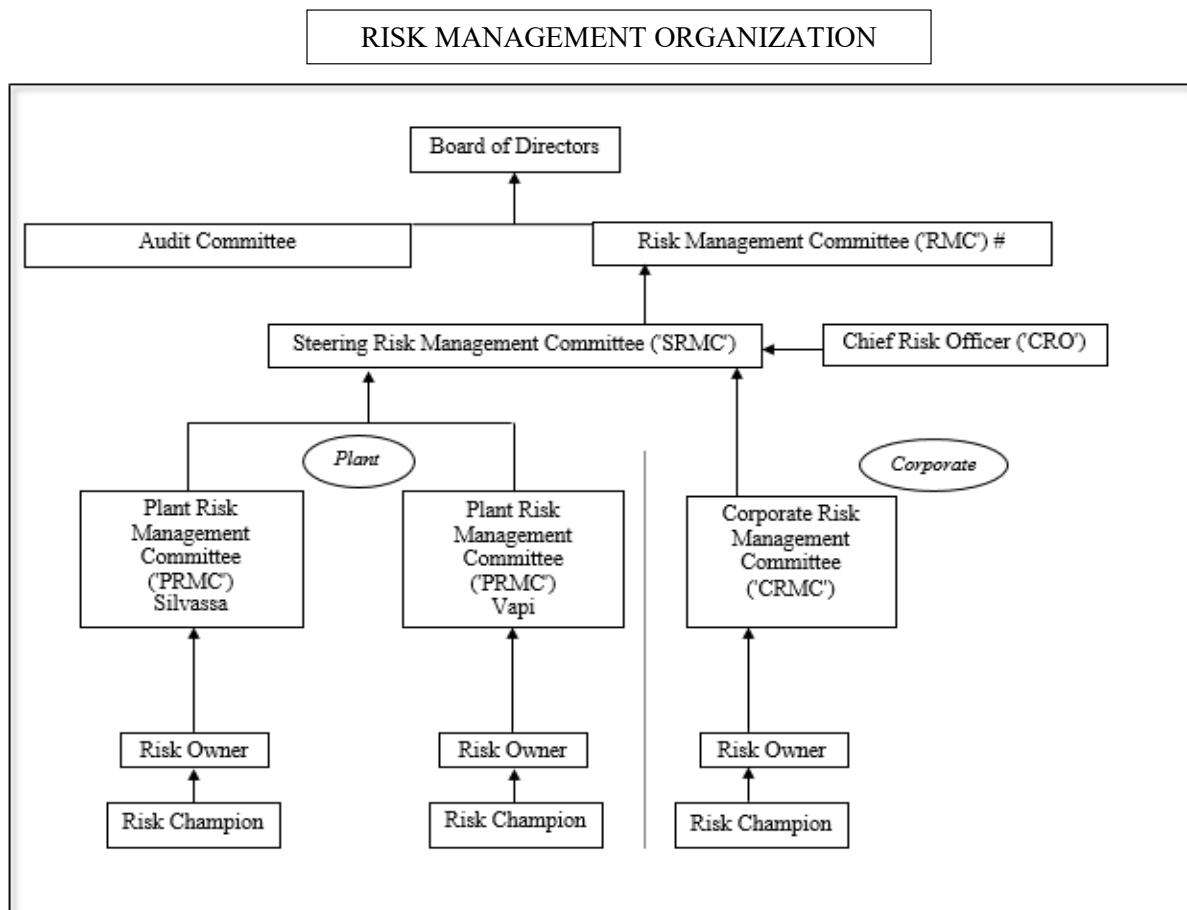
- Risk Profile:**
The risks identified as 'High risk' and other risks as may be decided by the Committee's should be profiled. The risk profile details the attributes of risk and the response to determine how each risk will be treated. A Template for profiling is given as **Annexure III**.
- Risk Management Report:**
The report is to be placed before the Board for review and approval. A Template is given in Section 6 below.
- Loss Database:**
The heads of CRMC at Corporate, and PRMC for the Plants, should ensure that for all losses that occur, the loss database is updated. Each event included in the loss database needs to be signed off by the respective risk owners. A Template is given as **Annexure IV**.

2.9 Sign off

The Risk Assessment Report should be signed by the respective Heads of CRMC at the corporate and the heads of PRMC at plants.

3. Risk Management Organization

The organization structure for risk management is depicted through the flow chart below. Detailed notes on roles and responsibilities of each level follow.



Committee formed as per the norms specified in the SEBI (LODR) Regulations, 2015

Risk Management Charter and Policies

3.1 Risk Management Committee ('RMC')

Membership

The members of the RMC will consists of members from various fields who bring in a wide range of skills and experience to the RMC and shall have an optimal mix of professionalism, knowledge and experience and enables the RMC to discharge its roles and responsibilities.

The RMC may also invite other officials/professional to participate in specific meetings.

Operation and periodicity of meeting

The Members of RMC shall elect any one of them to Chair the Meeting. The Company Secretary will be responsible as the Secretary to the RMC. The RMC shall meet on a quarterly basis or more frequently if required for urgent matters. Reports of RMC's activities and minutes of meetings (including attendance) will be maintained for each meeting by the Secretary of the RMC. The quorum for a meeting of the Risk Management Committee shall be in accordance of the Companies Act, 2013 and Listing Regulations.

Deliverables

At a minimum, the RMC will deliver:

- Annual assessment of risks
- Quarterly review of risks
- Quarterly updated Risk Register and Risk Profile (including mitigation plans)
- Reports required for the Board of Directors / Audit Committee

3.2 Steering Risk Management Committee ('SRMC')

Membership

The members of the SRMC will be constituted by the Manager / Managing Director ('MD') of the company, The Chief Financial officer ('CFO'), President (Corporate Affairs & Legal) and Chief Executive Officer, Texturising

The SRMC may also invite other officials/professional to participate in specific meetings.

Operation and periodicity of meeting

The Members of SRMC shall elect any one of them to Chair the Meeting. A designated person from the risk department will be responsible as the Secretary to the SRMC. The SRMC shall meet on a quarterly basis or more frequently if required for urgent matters. Reports of SRMC's activities and minutes of meetings (including attendance) will be maintained for each meeting by the Secretary of the SRMC. The quorum for a meeting of the SRMC shall be atleast 75% of the total members of the committee

Deliverables

At a minimum, the SRMC will deliver:

- Annual assessment of risks
- Quarterly review of risks
- Quarterly updated Risk Register and Risk Profile (including mitigation plans)
- Reports required for the RMC

Risk Management Charter and Policies

3.3 Corporate Risk Management Committee ('CRMC')

CRMC will coordinate the risk management initiatives at the functions at Corporate. The members of the CRMC will be as follows:

- Head (Cotton Yarn)
- Head (Polyester)
- Head (Woven Fabrics)
- Head (Knit Fabrics)
- Head (Garments)
- Head (Embroidery)
- Head (Hemming)
- Head (Bedding)
- Head (Bedding – Commercial)
- Head (Terry Towels)
- Head - Accounts
- Head – Costing
- Head– Information Technology
- Head - Materials
- Head – HR & Administration
- Head –Taxation
- Head - Compliance

CRMC may have additional members as required. The CRMC may also invite other members to participate in specific meetings.

Operation and periodicity of meeting

The CRMC will have a Chairman and a Secretary which will be approved by the SRMC. A designated person from the risk department will be responsible as the Secretary to the CRMC. The CRMC shall meet on a quarterly basis or more frequently if required for urgent matters. The quorum for a meeting of the CRMC shall be atleast 75% of the total members of the committee CRMC's minutes of meetings (including attendance) will be maintained for each meeting by the Secretary of CRMC.

Deliverables

At a minimum, the CRMC will deliver:

- Annual assessment of risks
- Quarterly review of risks
- Quarterly updated Risk Register and Risk Profile (including mitigation plans)
- Reports required for the RMC

The CRMC will have the required interface and representation on the RMC.

3.4 Plant Risk Management Committee ('PRMC')

There will be two PRMC's

- Silvassa
- Vapi

Risk Management Charter and Policies

Membership

Standing membership of the PRMC will consist of the head of unit(s), the head of finance at the unit(s) and other persons to be designated by the Head of the unit and approved by the RMC.

PRMC may have additional members as required. The PRMC may also invite other members to participate in specific meetings.

Operation and periodicity of meeting

PRMC will have a Chairman who will chair the meetings of the PRMC. The head of finance or a designated person from the risk department will be responsible as the Secretary to the PRMC. The PRMC shall meet on a quarterly basis or more frequently if required for urgent matters. The quorum for a meeting of the PRMC shall be at least 75% of the total members of the committee. Reports of PRMC's activities and minutes of meetings (including attendance) will be maintained for each meeting by the Secretary of the PRMC.

Deliverables

At a minimum, the PRMC will deliver:

- Annual assessment of risks
- Quarterly review of risks
- Quarterly updated Risk Register and Risk Profile (including mitigation plans)
- Reports required for the RMC

A representative from this Committee would be a member of the RMC on a yearly rotational basis.

3.5 Chief Risk Officer

Chief Risk Officer (CRO)

The CRO would be a member of the SRMC and be responsible as coordinator for risk management activity for the entire company. The CRO would coordinate information flow between the RMC and the Risk Owners. Also the CRO would liaise with the CRMC and PRMC to coordinate flow of information between them and the SRMC. The CRO would be responsible to ensure that meetings of the SRMC are held quarterly or more frequently, if required, to review the risks identified. The CRO would be responsible to prepare the Risk Management Report for the entire company.

3.6 Risk Owners and Risk Champions

Risk Owners and Risk Champions have to be appointed for different categories of risk. Role of Risk Owners, supported by Risk Champions is to assess, review, monitor, and react to risks, evaluate and validate the status of risks and propose controls. A risk owner is attached to a risk category, while a risk champion is attached to an individual risk item within the category. Need to risk champions will depend upon the variety of risks and their functional spread.

The Risk Owners and Risk Champions shall meet on a quarterly basis to discuss new risks added to the risk register during the quarter and to review the implementation status of mitigation plans. Any risks reassessed as high during the meeting of the Risk Owners / Risk Champions, shall be escalated to the CRMC/ PRMC, as the case may be, on an immediate basis as mentioned in **Annexure VII**.

Risk Management Charter and Policies

3.7 Roles & Responsibilities

The risk management roles and responsibilities will be as follows:

Roles	Responsibilities
Board of Directors	<ul style="list-style-type: none"> • Review risk assessment and risk management reports • Support risk management practices
Audit Committee	<ul style="list-style-type: none"> • Review and approve (internal and external) audit plans. • Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible. • Recommend appointment, remuneration and terms of appointment of auditors, including cost auditors, of the Company. • Approval of payment to statutory auditors, including cost auditors, for any other services rendered by them. • Review with the management, the annual financial statements and auditor's report thereon before submission to the Board for its approval, with particular reference to: <ol style="list-style-type: none"> a. matters required to be included in the Directors' responsibility statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013; b. changes, if any, in accounting policies and practices and reasons for the same; c. major accounting entries involving estimates based on the exercise of judgement by management; d. significant adjustments made in the financial statements arising out of audit findings; e. compliance with listing and other legal requirements relating to financial statements; f. disclosure of any related party transactions; g. modified opinion(s) in the draft audit report. • Review with the management, the quarterly financial statements before submission to the Board for approval. • Review with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for the purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. • Review and monitor the auditor's independence and performance and effectiveness of audit process. • Approval or any subsequent modification of transactions with related parties of the Company. • Scrutiny of inter-corporate loans and investments. • Valuation of undertakings or assets of the Company, wherever it is necessary.

Risk Management Charter and Policies

Roles	Responsibilities
	<ul style="list-style-type: none"> • Evaluation of internal financial controls and risk management systems. • Review with the management, performance of statutory and internal auditors. • Review with the management adequacy of the internal control systems. • Review the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. • Discuss with internal auditors of any significant findings and follow up there-on. • Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board. • Discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern. • Look into the reasons for substantial defaults, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors. • Review the functioning of the Whistle Blower mechanism / oversee the vigil mechanism. • Approval of appointment of Chief Financial Officer after assessing qualifications, experience and background etc. of the candidate. • Mandatorily review the following: <ol style="list-style-type: none"> a. Management Discussion and Analysis of financial condition and results of operations b. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management c. Management letters / letters of internal control weaknesses issued by the statutory auditors d. Internal audit reports relating to internal control weaknesses e. Appointment, removal and terms of remuneration of the chief internal auditor f. Statement of deviations: <ol style="list-style-type: none"> i. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations. ii. annual statement of funds utilized for purpose other than those stated in the offer document / prospectus in terms of Regulation 32(7) of the Listing Regulations. • Review financial statements, in particular the investments made by the Company's unlisted subsidiaries • Note report of compliance officer as per SEBI (Prohibition of Insider Trading) Regulations, 2015.

Risk Management Charter and Policies

Roles	Responsibilities
	<ul style="list-style-type: none">• Formulate the scope, functioning, periodicity of and methodology for conducting the internal audit.• Review show cause, demand, prosecution notices and penalty notices, which are materially important.• Review any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.• Review any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that may have negative implications on the Company.• Details of any joint venture or collaboration agreement.• Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.• Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.• Review the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.• Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholder.• Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.

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Roles	Responsibilities
Risk Management Committee ('RMC')	<ul style="list-style-type: none"> • Approve risk management charter and policies • Advise business units on risk initiatives • Spearhead risk management initiative within the Company • Monitor emerging issues and share best practices • Commission and oversee projects to define and implement risk mitigation strategies • Improve risk management techniques and enhance awareness • Set standards for risk documentation and monitoring • Recommend training programs for staff with specific risk management responsibilities • Assess and manage risks for Corporate and the company as a whole. • Review and approve the Risk Management report • To formulate a detailed risk management policy which shall include: <ul style="list-style-type: none"> (a) A framework for identification of internal and external risks specifically faced by the Company, 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 as and when appointed. • Carry out any other function as is mandated by the Board from time to time and/ or enforced by any statutory notification, amendment or modification as may be applicable.
Steering Risk Management Committee (SRMC)	<ul style="list-style-type: none"> • Spearhead the risk management initiatives at the organizational level • Escalate risks to RMC on a need basis

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Roles	Responsibilities
Chief Risk Officer ('CRO')	<ul style="list-style-type: none"> • Oversee execution of risk management strategies and policies • Report to and update the RMC on the risk management program • Prepare Risk Management Report for the Company as a whole • Monitor risk exposure versus limits as drawn up by the RMC • Coordinate the risk management initiative for the Company as a whole as per the risk management charter and policies and the directives of the RMC • Responsible for giving directions to and coordinating with the PRMC and the CRMC • Issue certificate of compliance based on the review of the quarterly risk management reports • Responsible for ensuring that the required documentation has been maintained and the required sign – offs have been obtained
Corporate Risk Management Committee ('CRMC')	<ul style="list-style-type: none"> • Spearhead the risk management initiatives at the Corporate • Escalate risks to SRMC on a need basis
Plant Risk Management Committee ('PRMC')	<ul style="list-style-type: none"> • Spearhead risk management initiatives within the Plants • Commission and oversee projects to define and implement risk identification, assessment and mitigation strategies • Escalate risks to SRMC on a need basis
Secretary to PRMC	<ul style="list-style-type: none"> • Issue certificate of compliance based on the review of the quarterly risk management reports • Responsible for ensuring that the required documentation has been maintained and the required sign – offs have been obtained • Maintain the reports of PRMC activities and meetings • Ensuring that the PRMC meetings are held as required • Maintaining minutes of the meetings held
Risk Owners and Risk Champions	<ul style="list-style-type: none"> • Responsible for identifying risks • Responsible for reassessing risks on a periodic basis • Responsible for preparing risk register and risk profile • Suggest mitigation plans • Responsible for managing risk by implementing mitigation plans
Employees	<ul style="list-style-type: none"> • Responsible for identifying risks • Compliance with requests from Management in connection with application of this policy • Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected

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4. Risk Management Process

4.1 Risk Identification

Comprehensive risk identification using a well-structured systematic process is critical, because a potential risk not identified will be excluded from further analysis. Identification should include all risks whether or not they are under the control of the Company. Risks can be identified in a number of ways, viz.:

- Structured workshops;
- Brainstorming sessions;
- Interviews by CRO and / or the Committee heads;
- Occurrence of a loss event;
- Review of documents.

Each Risk Owner must periodically review the risks within their risk basket. This review should include identification for all significant functional areas. Workshops or brainstorming sessions may be conducted amongst the focus groups to identify new risks that may have emerged over a period of time. Any loss event may also trigger risk identification.

All identified risks should be updated in a risk register. Risk registers should be periodically reviewed by the respective risk owners to ensure pertinence of the risks listed. Risks that would have ceased should also be closed appropriately.

The heads of PRMC and CRMC should ensure that the risk registers are reviewed and updated quarterly. They are also responsible for ensuring that loss data is updated in the loss database.

4.2 Risk Assessment

The risks will be assessed on the probability/ likelihood of occurrence of the risk event which would provide the inherent overall risk rating (Probability/ likelihood). The probability/ likelihood should be rated over a period of 12 to 18 months.

The probability/ likelihood/ likelihood of the event and its associated consequences, are assessed in the context of the existing controls. RMC and CRMC should review and revise the assumptions based on latest budgets, cost records, financials, and forecasts for present / future of business and industry. Probability/ likelihood/ likelihood may be determined using statistical analysis and calculations and a common decision of RMC and CRMC shall be final and the same shall be reflected in the Risk Register. Alternatively, where no past data are available, subjective estimates may be made which reflect an employee's or group's degree of belief that a particular event or outcome will occur.

LEVELS
Very High
High
Medium
Low
Very Low

Over a period of time, endeavour should be made to assess the risks on quantitative basis. Standard set of assumptions should be used where financial impact in Rupee terms is calculated. RMSC should review and revise the assumptions based on latest budgets, cost records, financials, and forecasts for present / future of business and industry.

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Precise quantification of the Rupee value impact of risks is sometimes impractical, since the ultimate cost would depend on a significant number of variables. Where values can be assigned it is necessary to look at the above effects over a future time period rather than that particular financial year.

4.3 Risk Evaluation

Impact and Probability/ likelihood/ likelihood are combined to produce a level of risk. Average of the group's score should be determined. The average is to be determined for each component of risk assessment viz., Probability/ likelihood/ likelihood.

The output of a risk evaluation is a prioritized list of risks for further action. This should be documented in a "Risk Assessment Report". The report should be signed by the Heads of PRMC or CRMC, as applicable.

4.4 Risk Treatment / Action Plan

Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them. Treatment options may include:

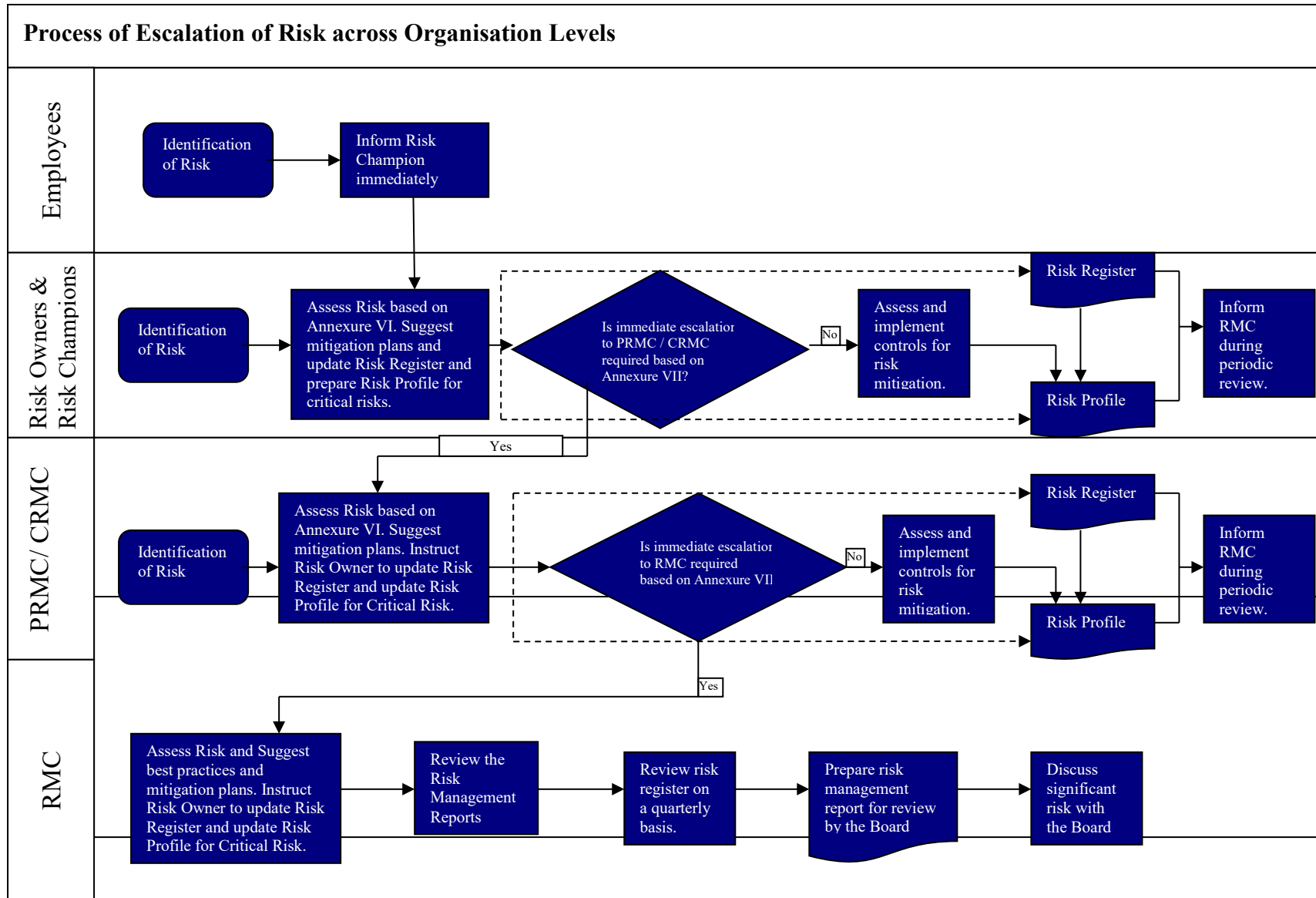
- Accepting the risk level within established criteria;
- Transferring the risk to other parties e.g. insurance;
- Avoiding the risk by hedging / adopting safer practices or policies; and
- Reducing the probability/ likelihood of occurrence and / or consequence of a risk event.

The risk assessed as critical should be profiled in the format of "Risk Profile" provided in **Annexure III**. The profile contains details of the risk, its contributing factors, risk scores, controls documentation, and specific and practical action plans. Action plans need to be time bound and responsibility driven to facilitate future status monitoring. Mitigating practices and controls shall include determining policies, procedures, practices, and processes in place and additional resource allocation that will ensure that existing level of risks is brought down to an acceptable level. In many cases significant risk may still exist after mitigation of the risk level through the risk treatment process. These residual risks will need to be considered appropriately. In case of financial risks this can be accomplished by a combination of:

- Insurance by external agencies; and
- Self-insurance or internal funding.

4.5 Escalation of risks

It is critical to institute an effective system of escalation which ensures that specific issues are promptly communicated and followed up appropriately. Every employee of the Company has responsibility of identifying and escalating the risks to appropriate levels within the Company. The RMC and the Committee heads will determine whether the risk needs immediate escalation to next level or it can wait till subsequent periodic review



Risk Management Charter and Policies

4.6 Risk Reviews

Risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter risk priorities. Few risks remain static. Ongoing review is essential to ensure that the management plans remain relevant. Factors, which may affect the probability/ likelihood and impact of an outcome, may change, as may the factors, which affect the suitability or cost of the various treatment options.

A risk review involves re-examination of all risks recorded in the risk register and risk profiles to ensure that the current assessments remain valid. Review also aims at assessing the progress of risk treatment action plans. Risk reviews should form part of agenda for every RMC, PRMC and CRMC meeting. The risk register should be reviewed, assessed and updated on a quarterly basis.

5. Business Continuity Plan

Risk Management Committee shall fulfil its Business Continuity Planning responsibilities by setting policy, prioritizing critical business functions, allocating sufficient resources and personnel, providing oversight, approving the Business Continuity Plan, reviewing test results, and ensuring maintenance of a current plan. The effectiveness of business continuity planning depends on management's commitment and ability to clearly identify what makes existing business processes work.

Business Continuity Planning process should reflect the following objectives:

- a. Business continuity planning is about maintaining, resuming, and recovering the business.
- b. The planning process should be conducted on an enterprise-wide basis.
- c. A thorough business impact analysis and risk assessment are the foundation of an effective Business Continuity Plan.
- d. The effectiveness of a Business Continuity Plan can only be validated through testing or practical application.
- e. The Business Continuity Plan and the test results should be subjected to an independent audit and reviewed by the Board of Directors.
- f. A Business Continuity Plan should be periodically updated to reflect and respond to changes.

6. Reporting

A Risk Management Report for Plant should be prepared by the PRMC. A Risk Management report for CRMC should be prepared by the secretaries to the CRMC. Report for the whole Company should be prepared by the RMC along with a mitigation plan. The report prepared by the RMC should be placed before the Board. The frequency of review and reporting of the risk management is given below:

6.1 Review and Reporting Cycle

Functions	Frequencies	Dates
Establishment of Risk Management Process	Once	As approved
Updating the Risk register	As and when risks are identified, at least once in a quarter	December, March, June September
Risk Assessment and preparing the Risk Profile	Quarterly	December, March, June September

Risk Management Charter and Policies

Functions	Frequencies	Dates
Risk Management Report - Plants as well as Corporate	Quarterly	December, March, June September

Quarterly Risk Management Report format

The report has three sections as follows:

Quarterly Risk Management Report [Plant] / [Corporate] [Date]

Instructions: Record any changes to existing risks or new risks added.
 Check-off if amended Risk Profile is attached
 If there are no changes state NIL

Section 1 : Risk identified (Critical)

Risk ID No.	Major Risk Area	Person Accountable	Changes / Additions to Risk Attributes or Risk Response
#			
#			
#			
#			

Quarterly Risk Management Report [Plant] / [Corporate] [Date]

Instructions: List ALL actions not yet completed
 State *Revised by When* date for ALL overdue actions
 State *Complete* date when action is cleared

Section 2 - Update Action List

Action Description	Person Accountable	Previous 'By When'	Revised 'By When'	Complete

Consolidated :Quarterly Risk Management Report *[Plant]* / *[Corporate]*

[Date]

Instructions: Complete quarterly review
Complete Section 1 & 2
Complete Certification & Checklist below

Section 3 – Certificate of Compliance

I *[Risk Custodian]* as Secretary of the Risk Management Steering Committee certify that we have conducted a quarterly review of Risk in the month of *[Month, Year]* as laid out in the Company's Risk Management Charter with the results documented in the attached Sections 1 & 2.

Signature
(Secretary to the RMC)

Risk Management Charter and Policies

Annexure I: List of Risk Classes / Baskets

Sr. No.	Risk Classes / Baskets	Definitions
1.	Strategic	Risks associated with brand management, strategy development, strategic alliances, R&D, business planning, business mix and performance targets.
2.	Business Development	Risks associated with developing, implementing, and managing new and existing products, customer service, pricing, marketing and feasibility of new business opportunities.
3.	Operations	<ul style="list-style-type: none">• Risks associated with the operations, both internal and external, including procurement of raw materials, safety etc.• Risks associated with a lack of defined policies, processes, procedures or delegations of authority at a group, business unit or product area.
4.	Human Resource	Risks associated with culture, organizational structure, communication, recruitment, performance management, remuneration, learning & development, retention, OH&S and industrial relations, including supporting systems, processes, and procedures.
5.	Entity	<p>Risks associated with a lack of defined policies, processes, procedures or delegations of authority at a group, business unit or product area.</p> <p>This category also includes risks associated with budgeting, management reporting and cost management.</p>
6.	Information Technology	The risk that systems are inadequately managed or controlled, data integrity, reliability may not be ensured, inadequate vendor performance and monitoring, system or network architecture not supporting medium or long term business initiatives and strategy, capacity planning not being reviewed on a regular basis resulting in processing failures, risks of data or systems migration or interfaces.
7.	Financial	<p>Risks relating to liquidity / management of cash and risks related to collection of dues from the debtors.</p> <p>This category also includes risks related to foreign currency fluctuation and interest rate fluctuation.</p>
8.	Asset Management	Risks relating to the management or maintenance of Company's key assets including property, equipment and environment (e.g. buildings, security documentation and money).
9.	Compliance/ Legal	Risks relating to non-compliance with legislation, regulations, supervision or internal policies and procedures. This also includes all regulatory issues impacting the Company, which are currently in draft / discussion (e.g. VAT).

Risk Management Charter and Policies

Sr. No.	Risk Classes / Baskets	Definitions
		<p>Risks associated with a lack of defined policies, processes, procedures or delegations of authority at a group, business unit or product area.</p> <p>This category also includes risks associated with budgeting, management reporting and cost management and also cases initiated and/ or pending by and/or against the Company.</p>
10.	Business Continuity Planning / Data Recovery Planning	The planning and processes required to maintain the continuity of business activities or recovery response to a disastrous event which may impact the effectiveness of business operations. This includes internal and external activities and processes (e.g. system failures, accidents, fire, flood, etc.).

This list may be modified in future to add / modify new risk baskets that may emerge.

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Risk Management Charter and Policies

Annexure II: Risk Register

Section 1 : Risk Register						
Sr. No	Risk Category	Risk Description	Issues	Risk Owner	Risk Champion	Overall Risk Rating (Impact)

[Space left blank intentionally]

Probability/ likelihood

[Space left blank intentionally]

Risk Management Charter and Policies

Annexure III: Risk Profile

Risk Ref. No.	:	
Risk Category	:	
Risk Description	:	
Risk Owner	:	
Risk Champion	:	
Date of Validation	:	<i>(dd/mm/yyyy)</i>
Date of next review	:	<i>(dd/mm/yyyy)</i>
Contributing Factors:		
 Description of issues :		
Probability/ likelihood Rating	(A)	
Capital Exposure (in the event of Risk occurrence)	(B)	
<i>(Refer Calculation and Assumptions attached)</i>		
Insurance (Yes / No)	(C)	
Net Exposure	(B) – (C)	
Description of controls:		
Do the controls address the risk effectively?	(Yes / No)	
Are the controls documented and communicated?	(Yes / No)	
Are the controls operating, applied consistently and monitored?	(Yes / No)	

Risk Management Charter and Policies

RISK TREATMENT PLAN				
<i>Proposed Risk Treatment Actions:</i>				
Sr. No.	Descriptions	Target dates	Status	Remarks
1.				
2.				
3.				
4.				
Sr. No.	Resource Requirements	Responsibility	Budgeted Amount	
1.				
2.				
3.				
4.				
<p>Signatures: _____ _____ _____</p> <p>Risk Champion Risk Owner Secretary – CRMC/ PRMC</p>				

Note:- For completion of Risk treatment actions, the overall responsibility lies with respective Risk Owner / Risk Champion.

Calculations:

Assumptions:

Risk Management Charter and Policies

Annexure IV: Loss Database

Sr. No.	Description of Event Occurred	Risk Category	Related to Risk No. in Risk Register	Date of Event Occurrence	Overall Impact (<i>Description of Loss</i>)	Financial Impact (<i>Net of Insurance Claim, if any</i>)	Changed Overall Score	Sign Off by Risk Owner
1.								
2.								
3.								
4.								

[Space left blank intentionally]

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