

RISK MANAGEMENT

Prioritising Effective Risk Management

Effective risk management is crucial for sustained business growth, especially in a dynamic environment shaped by market shifts, regulatory changes, and unforeseen disruptions. It ensures business continuity, strengthens resilience, and creates long-term stakeholder value.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

We have in place a comprehensive Enterprise Risk Management Framework (ERM) governed by the Board-approved Risk Management Policy. Aligned with the ISO 31000 and COSO standards, our Enterprise Risk Management Framework encompasses all aspects of risk management at all levels, including the shop-floor level. The framework ensures a

seamless approach to risk management, enabling us to protect our business by preventing incidents, improving outcomes, and ensuring sustainable growth.

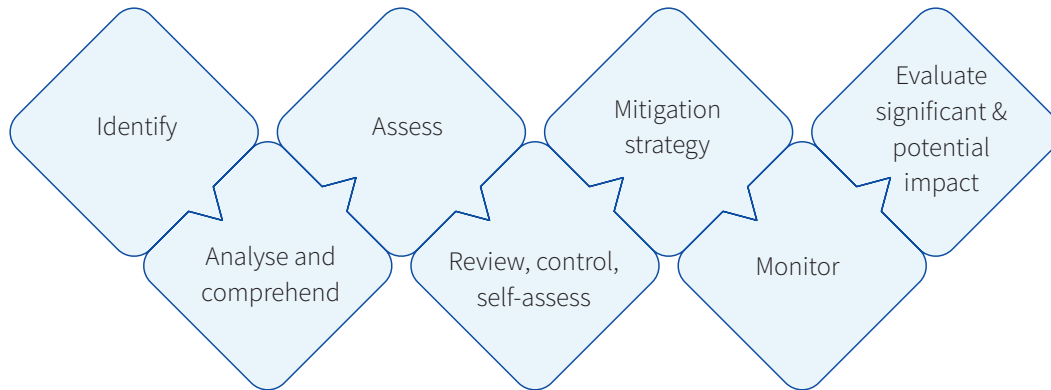
ERM ENABLES MANAGEMENT TO:

- Develop a clear understanding of the risk landscape and potential exposure
- Manage risks effectively and implement prudent risk mitigation strategies

- Continuously monitor the effectiveness of risk management practices
- Strengthen internal controls and drive improvements
- Provide periodic risk management reports to the management, including the Board of Directors



RISK MANAGEMENT: THE PROCESS



RISK MANAGEMENT: OUR APPROACH



Board of Directors

- Responsible for providing guidance and oversight for risk management process within the Group



Risk Management Committee

- The Risk Management Committee works alongside the Board to fortify the risk management procedures and practices across the Group operations
- Holds periodic reviews of reports related to risk matrix, assess significant risks and the controls / mitigating measures



Management

- Identify and evaluate short, medium and long-term risks and assess the risk outcomes based on the risk severity, likelihood and impact
- Ensure effective and systematic management of risks in alignment with the Group's objectives



Business and Functional Heads

- Identify short, medium and long-term risks for respective functions and business units
- Formulate mitigating measures for each identified risk
- Implement and review risk management practices within their respective business units/ functions following guidance from the Board and the Risk Management Committee
- Monitor changes in risk profile within their operations/functions and frame appropriate actions to manage or mitigate them
- Maintain risk registers and document all risks for consolidation and evaluation of principal risks and formulation of effective response/ mitigating measures
- Provide quarterly updates to the top management about risks and mitigating actions, soliciting their reviews and inputs
- Present detailed Risk Management report to the duly constituted Risk Management Committee of Directors

OBJECTIVES OF RISK MANAGEMENT

- Ensures business continuity and sustainability
- Achieve organisation's strategic objectives
- Enhance decision-making, planning and prioritisation processes
- Seize opportunities while proactively managing risks in a dynamic external environment
- Establish controls to mitigate or prevent risk occurrence
- Prioritise risk and reward considerations for implementation in critical areas
- Ensure adherence to corporate governance standards

KEY RISKS AND MITIGATION STRATEGIES

STRATEGIC AND GLOBAL RISKS



Global Geopolitics and Monetary Risk

Capitals Impacted



Mitigation Response

- Track major price trends using lead and lag indicators for timely decision-making
- Optimise costs through a mix of spot purchases and contractual buying, based on market conditions
- Strengthen customer engagement to reinforce preferred supplier status
- Identify and secure alternative products to optimise plant utilisation and diversify production
- Continuously monitor demand-supply dynamics across enduse industries and allied sectors



Climate Sustainability Risk

Capitals Impacted



Mitigation Response

- Develop a road map prioritizing the business environmental goals
- Identify high risk areas across the business and largest contributors to carbon emissions and their impact on the environment
- Outline alternative technology to target emissions reduction
- Drive transformation across the business to achieve decarbonization and act accordingly

BUSINESS – OPERATIONS RISKS



Supply Chain Disruption/ Business Interruption Risks

Capitals Impacted



Mitigation Response

- Enhance safety stocks and facilitate material movement through dedicated pipelines
- Source materials from diverse geographies to minimise shipping delays
- Ensure reliable and secure shipments to ensure timely deliveries
- Maintain adequate inventory levels to serve customers, in the event of any disruptions
- Re-negotiate contracted logistics terms to optimise freight costs and enhance flexibility



Supplier Dependency

Capitals Impacted



Mitigation Response

- Diversify sourcing to reduce dependency
- Leverage spot purchases when competitive offers are available from local or international suppliers
- Continuously develop and expand vendor base to strengthen procurement and ensure consistent material availability
- Developing new vendors for sourcing raw materials



Emerging competition to our existing business

Capitals Impacted



Mitigation Response

- Secure multi-year contractual agreements in major business segments
- Strengthen positioning as a preferred supplier by addressing key customer requirements
- Enhance supply planning with defined lead times and built-in risk mitigation buffers
- Focus on acquiring new customers in international markets and expanding distributor networks across key regions
- Sustain market volumes by growing customer base and penetrating new markets
- Establish long-term partnerships with domestic customers to protect market share while driving export growth across diverse geographies



Succession Planning / Critical Position Planning

Capitals Impacted



Mitigation Response

- Establish a competency framework for employees
- Conduct employee evaluation on the competency framework
- Develop Individual Development Plan for role-specific capabilities
- Enhance skills and competencies through Learning & Development opportunities
- Develop a second line of talent for crucial positions



Information Security and Confidentiality

Capitals Impacted



Mitigation Response

- Enforce stringent confidentiality obligations to protect sensitive information
- Limit information sharing strictly to a need-to-know basis.
- Implement advanced IT tools to manage document flow and data access
- Conduct regular training programmes to enhance employee awareness on information security and confidentiality
- Carry out periodic audits and assessments by external experts and implement their recommendations



IT System Failure Risk

Capitals Impacted



Mitigation Response

- Regularly upgrade the systems for improved performance
- Ensure multi-level password protection and data security
- Undertake regular training programmes
- Deploy software on multiple servers to combat disruptions due to IT failure
- Establish Disaster Recovery Site and online backups for recovery



Technology Obsolescence

Capitals Impacted



Mitigation Response

- Continuously assess risks of technological obsolescence and make timely investments
- Build strong partnerships with technology leaders to access emerging processes and their application in manufacturing
- Upgrade machinery and equipment to leverage new technological advancements and improve operational efficiency
- Implement a rigorous plant and technology selection process to evaluate current and emerging options, ensuring adoption of the most relevant technologies



Contractual Risk

Capitals Impacted



Mitigation Response

- Conduct thorough contractual risk evaluations, with a dedicated team of experienced professionals ensuring liability exposure is restricted
- Undertake detailed reviews of contractual clauses to assess and manage potential implications
- Maintain close coordination between departments to ensure smooth execution and adherence to contractual obligations

FINANCIAL RISKS



Forex Market Volatility

Capitals Impacted



Mitigation Response

- Monitoring of net open positions and real-time tracking of exchange rates/markets on a fortnightly basis
- Deploy dynamic hedging strategies, including Forwards, Options, Range Forwards

COMPLIANCE RISKS



Plant Safety Compliances

Capitals Impacted



Mitigation Response

- Ensure strict compliance with workplace safety protocols
- Adhere to established Process Safety elements
- Conduct regular safety audits through Integrated Management Systems to ensure compliance with all regulatory requirements
- Provide safety training to all employees, focusing on SOPs and safety systems
- Identify and address near-miss incidents, unsafe conditions, and unsafe actions
- Investigate incidents and implement actions to avoid recurrence
- Conduct periodic safety reviews at the top management level to enhance safety culture



Environment Norms Compliances

Capitals Impacted



Mitigation Response

- Regular monitoring and maintenance of environmental norms
- Third-party environmental monitoring
- Disposal of hazardous wastes & spent acid under PCB norms
- Ensure amendments to the Consent To Establish (CTE) and Consent To Operate (CTO), wherever required

REPUTATIONAL RISKS



Reputational Risk

Capitals Impacted



Mitigation Response

- Implement and communicate the Company's policies and guidelines to all stakeholders
- Maintain regular dialogue and transparent communication with key stakeholders to build trust
- Facilitate engagement between Site Heads/HR Heads and local community members to strengthen community relations
- Monitor media coverage – both print and digital – to manage public perception
- Foster employee awareness and accountability in upholding the Company's reputation

