



## **CHEMPLAST SANMAR LIMITED**

Registered Office: 9. Cathedral Road, Chennai 600 086

CIN: L24230TN1985PLC011637

### **Risk Management Policy**

#### **1. Objective**

The purpose of the Risk Management Policy ('RMP') is to institutionalize a formal risk management function and framework in the company. This policy is drafted in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

#### **2. Scope**

This RMP is applicable to all the divisions and departments of Chemplast Sanmar Limited ('CSL') including its subsidiaries, acquired entities and to all processes or functions in such entities.

#### **3. Philosophy and approach to risk management**

CSL's risk management philosophy is to enable the achievement of the company's strategic objectives by identifying, analyzing, assessing, mitigating, monitoring, preventing, and governing any risks or potential threat to these objectives. While the achievement of strategic objectives is a key driver, our values, culture and our obligation & commitment to employees, customers, investors, regulatory bodies, and the community around us are the foundation on which our risk management philosophy is based. The systematic and proactive identification of risks and mitigation thereof shall enable effective or quick decision-making, enable business continuity, and shall improve the performance of the organization.

#### **4. Statutory requirements**

The Companies Act 2013 and SEBI Regulations have placed additional responsibilities on the Board of Directors and Management to have structured enterprise-wide Risk Management which is reviewed and reported periodically including:

- The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company
- Independent directors should satisfy themselves that systems of risk management are robust and defensible

The Board of the Company is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems.

## **5. Risk Management Committee**

### **Composition:**

The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

The Company Secretary shall act as the Secretary to the Committee.

### **Meetings:**

The Risk Management Committee should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

## **6. Risk management Framework**

### **Process:**

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

A framework for identification of internal and external risks 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 shall be prepared.

### **Steps in Risk Management:**

#### a) Risk Identification

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes will be identified by the Company and their key activities will be selected for the purpose of risk assessment. Identification of risks, risk events and their relationship will be defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

#### b) Risk categorisation

Risks can be broadly categorised as external risks and internal risks  
External risks factors would include:

- Economic Environment
- Competition
- Changes in interest rates

- Financing related
- Foreign currency risks
- Changes in government policies
- Broad market trends impacting prices and demand

Internal risks factors would include:

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Quality Assurance
- Environmental Management
- Human Resource Management

#### c) Risk Assessment

Risk assessment is the process of risk prioritization. On a periodic basis risk, external and internal risk factors are to be assessed by responsible managers across the organization. Likelihood and impact of risk events have to be assessed for the purpose of analyzing the criticality.

The measurement of likelihood of occurrence can be against three levels on a scale of 3 viz.

- (i) Low ( Score 1)
- (ii) Medium (Score 2)
- (iii) High (Score 3)

Risk impact can also be against three levels on a scale of 3 viz.

- (i) Low ( Score 1)
- (ii) Medium (Score 2)
- (iii) High (Score 3)

Risk impact has to be assessed not only from financial angle but also from other perspectives like impact on reputation etc.

#### d) Risk Analysis

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as “high” criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

#### e) Risk Mitigation

CSL believes that Risks cannot be fully eliminated and certain risks are inherent part of the business. However, it can be mitigated by

- a. transferring to another party who is willing to take the risk at a price (eg. booking forward contracts to cover the imports or taking an insurance policy for a risk)
- b. having appropriate internal controls
- c. eliminating the risk by stopping the relevant activity or
- d. Tolerate the risk in view of the costs involved in reducing the risk or in anticipation of higher profits

- e. To ensure that the risk mitigation process works effectively, CSL will strive to:
  - Involve all functions in the overall risk identification
  - Periodically do a rating of the risks and put in place appropriate mitigation process;
  - Link the risk management process to the strategic planning and internal audit process;
  - The Risk Management Committee shall have access to all information necessary to fulfill its responsibilities.
- f) Risk - Control and Monitoring

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to Risk Management Committee.

## **7. Reporting**

The Board of Directors of the Company shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

The CEO, CFO & Chief Compliance officer shall be responsible for implementation of the risk management system as may be applicable and report on the same to the Risk Management Committee.

While the Company will be monitoring, evaluating and responding to risks, only significant risks (or those that could become significant) need to be reported to the Risk Management Committee.

Significant risks include those risks that have a high likelihood or significant impact i.e. having high risk exposure or where there is limited ability for mitigation by the Company. These risks are identified and assessed based on the Company's expertise, judgement and knowledge.

## **8. Effective date**

This policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on January 28, 2022 and would be effective from January 28, 2022.