



# **POCL ENTERPRISES LIMITED**

## **POLICY ON RISK MANAGEMENT**

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## **RISK MANAGEMENT POLICY**

### **INTRODUCTION:**

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy.

### **Importance of Risk Management**

A certain amount of risk taking is inevitable if the organization is to achieve its objectives. Effective management of risk helps to manage innovation and improve performance by contributing to:

- Increased certainty and fewer surprises,
- Better service delivery,
- More effective management of change,
- More efficient use of resources,
- Better management at all levels through improved decision making,
- Reduced waste and fraud,
- Better value for money,
- Innovation,
- Management of contingent and maintenance activities.

### **Requirement as per Companies Act, 2013**

**Responsibility of the Board:** As per Section 134 (n) of the Act, 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.

**Responsibility of the Audit Committee:** As per Section 177 (4)(vii) of the Act, the 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.

**Responsibility of the Independent Directors:** As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

## Requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 17(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Listed Entity shall lay down the procedure to inform the members of the Board of Directors about the risk assessment and minimization procedures.

### **RISK MANAGEMENT POLICIES**

The primary responsibility for implementation of the risk management policies shall lie upon the Board of Directors. However, with a view to ensure effective and efficient implementation of the policies, the Board may delegate authority and responsibility on various departmental heads. The Company shall periodically review the risks associated with the Company and procedures for managing the same. As and when deemed necessary, necessary changes shall be made to this Policy.

The Risk Management policy of the Company shall primarily focus on identifying, assessing and managing risks in the following areas:

- Company assets and property
- Employees
- Foreign Currency Risks
- Commodity Fluctuation Risk
- Operational Risks
- Non-compliance of statutory enactments
- Competition risks
- Contractual risks
- IT Risk

### **POLICY FOR MANAGING RISKS ASSOCIATED WITH COMPANY ASSETS AND PROPERTY**

The policy deals with nature of risk involved in relation to assets and property, objectives of risk management and measures to manage risk.

The risk management policy relating to assets aims at ensuring proper security and maintenance of assets and adequate coverage of insurance to facilitate speedy replacement of assets with minimal disruption to operations. The role and responsibilities of the departments shall be identified to ensure adequate physical security and maintenance of its assets.

### **POLICY FOR MANAGING RISK RELATING TO EMPLOYEES**

The employees constitute the most important asset of the Company. The risk management policy relating to employees is therefore necessary to cover all risks related to employees and their acts/omissions. The policy deals with the nature of risk involved in relation to employees, objectives of risk management and measures to manage risk.

In particular, the objectives of employee related risk management policy aims at providing adequate security to employees in relation to life, disability, accident and sickness, providing adequate legal safeguards to protect confidential information, and protecting the Company from any contractual liability due to misconduct/errors/omissions of employees.

### **POLICY FOR MANAGING FOREIGN CURRENCY RISK**

The Company operates both in the domestic and international market. Having our global presence with import and export operations, the Company is subject to currency rate fluctuation which may result in gains or losses. The objective of foreign currency risk management is to protect cash flows and profit margins from volatility on account of fluctuations in exchange rates. The policy for foreign currency risk management ensures that the finance department continuously tracks movement of foreign currencies, avails services of experts, and hedges the risk through appropriate mechanisms such as forward contracts/options.

### **COMMODITY FLUCTUATION RISK**

As part of Lead re-cycling business, the company buys Lead battery scrap in different forms and from different regions globally and locally. The finished goods are sold in domestic as well as overseas markets. Different pricing basis and timing mismatch of buying and selling exposes the company to metal price risk.

Internationally, Lead recyclers uses derivate contracts traded in London Metal Exchange to minimize their metal price risk and lock-in desired operating margins. The Company resorts to using these tools for metal price risk management.

Zinc scrap and refined Zinc is used in the process of making of Zinc Oxide. The prices of input and output are linked with international price benchmark i.e. London Metal Exchange prices. Company faces a timing mismatch risk in this case.

The policy on risk management advises that the procurement/sales department continuously tracks movement in metal prices, avails services of experts, and hedges the risk through appropriate mechanisms such as forward/futures contracts.

### **OPERATIONAL RISKS**

The Company is constantly working to limit the operational risks which requires the combined efforts of all business and support units, and the tools required continue to be developed. Apparent trends are analysed, and various operating groups combine into task forces to address these. The business continuity plan is reviewed annually by each unit.

### **RISKS ASSOCIATED WITH NON-COMPLIANCE OF STATUTORY ENACTMENTS**

The Company is a legal entity, engaged in manufacturing activity and also listed on stock exchange. In view of the same, the Company is required to ensure compliance of provisions of

various applicable statutory enactments. Failure to comply one or more such provisions may render strict penalties as may be prescribed under such statutory enactments.

The Company shall ensure that qualified professionals are employed to comply with various laws. In addition to the statutory audits, the Company shall promote undertaking of internal audit's at different levels periodically to ensure timely check on the statutory compliances.

### **COMPETITION RISKS**

Risk of competition is inherent to all business activities. The Company faces competition from the existing players operating in the segment in which the company operates. Considering that the non-ferrous sector is in the high growth phase, there is always an inherent risk that the existing competition may further get acute with the advent of new players. The Company's management should keep a tap of the market conditions, competitors strategy, introduction of new products by competitor in the market etc., and accordingly take informed decisions.

### **CONTRACTUAL RISKS**

There may be instances of defaults by Customer's in fulfilling contractual obligations as a result of which the Company may face financial losses. Similarly, defaults by the Company in fulfilling one or more contractual obligations due to reasons such as misrepresentations, breach of warranties, etc., cannot be ruled out.

The company shall ensure that proper drafting of the contract and adequate indemnity clauses are incorporated in the contracts entered into with one or more parties. In addition, internal controls from technical team and strict supervisions and checks on execution of contracts and delivery be undertaken.

### **INFORMATION TECHNOLOGY RISK**

The policy deals with the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

The Company shall ensure that qualified professionals are employed at various levels to constantly monitor and upgrade the use, operation and adoption of latest Information Technology systems and processes. In addition, the Company shall also ensure that adequate safeguards and security systems are in place to protect and preserve the systems and data for the smooth and efficient functioning of the enterprise.

### **REVIEW**

The Company's risk management system is always evolving. It is an ongoing process and it is recognized that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstances.