Deccan Cements Limited

Risk Management Policy

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Approved by the Board on 14th February 2023

RISK MANAGEMENT POLICY

‘Risks’ explained simply are Uncertainties that Matter. While uncertainties are events, whether they matter shall depend on the situation or the business and based on that the impact of such events may boil down to a threat/hazard can jeopardise the success or hinder the performance of tasks. Risk Management comprises of plans and processes to identify risks, evaluate their impacts and steps to avoid, overcome and mitigate or reduce their impacts.

Deccan Cements Limited (hereafter referred to as DCL) has embraced comprehensive risk management as a tool that provides competitive advantage to the business as well as provide assurance to stakeholders in underlining the company’s commitment to integrity, vigilance, skepticism and pragmatism. This policy also underlines commitment to having an optimum, calibrated and tailored response to risks that emerge in our journey to excellence, responsibility, integrity and sustainability.

1. PHILOSOPHY:

DCL is ever alert and conscious of its business and regulatory environment in order to proactively identify, assess and mitigate risks in order to protect its business, improve Corporate Governance and enhance stakeholders’ value. This extends to and involves developing an appropriate Risk Culture in the company whereby Risk Management becomes the duty and role of each and every employee across the length and breadth of the company.

2. DEFINITIONS:

- “**Act**” shall mean the Companies Act, 2013, including the Rules made thereunder, as amended from time to time.

- **“Applicable Laws”** shall mean the Companies Act, 2013 and the Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and such other applicable legislations, rules and regulations.

- **“Listed Entity or Company** or DCL shall mean The Deccan Cements Limited

- **“Risk”** is an event, action or inaction that causes a probable threat to the achievement of the objectives of the company.

- **“Impact”** is the potential damage or loss likely to be caused by a risk. The possible impacts maybe subdivided into classes according to their severity.

- **“Likelihood”** is the chance of something happening, measured or determined quantitatively or qualitatively.

- **“Velocity”** is the term used to highlight the pace at which the event can “hit” or impact the business:

- **“Risk owner” / “Process Owner”** is the person with the necessary accountability and authority to manage an identified risk. All the Functional Heads/Heads of Department shall be the risk owners with regard to their respective areas of operations:

- “**Board**” or “**Board of Directors**” shall mean Board of Directors of the Company.

- **“Policy or this Policy”** shall mean the Risk Management Policy.

- **“SEBI Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued there under, including any statutory modification(s) or re-enactment(s) there off or the time being in force.

- **“Stock Exchange”** shall mean a recognized Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (Regulation) Act, 1956.

3. REGULATORY FRAMEWORK:

The key regulations relating to Risk Management are as under:

REGULATION	REQUIREMENT
The Companies Act, 2013 Section 134(3)(n)	Directors’ report shall include – a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.
Section 177(4)	Every 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 system

SEBI (LODR) Regulations, 2015 Regulation 4(2)(f)(ii)(7)	The Board of Directors shall ensure integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
Regulation 17(9)(b)	The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
Regulation 18(3)	The Audit Committee shall evaluate the internal financial controls and risk management systems;
Regulation 21	Constitution of Risk Management Committee of Board of Directors, its roles and responsibilities and frequency of meeting

4. <u>APPLICABILITY</u>:

This Policy shall apply to all areas of the Company's operations and shall be effective from date of Board's approval.

5. <u>OBJECTIVE AND PRINCIPLES OF RISK MANAGEMENT POLICY</u>:

DCL recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. DCL believes that having, developing and promoting a robust Risk Culture (RC) is key to the business navigating and mitigating the risks that the environment presents the company with. Simply defined RC is the values, beliefs, knowledge and understanding about risk, shared by a group of people with a common intended purpose, in particular the leadership and employees of an organisation.

The Risk Management Policy (RMP) owes its origin to the robust RC that aims at raising awareness (across the length and breadth of the organization) of and proactively promoting reporting, evaluating, resolving and mitigating risks so as to ensure sustainable business growth with stability while ensuring that the risks are within manageable levels. This policy establishes a structured and disciplined approach to risk management, in order to guide decisions and actions on risk related issues, based on the following operating principles:

a) Make risk management a dynamic, iterative and responding function focused on value creation for the company and proving a competitive advantage,
b) Risk management enhances value creation by dealing professionally, deftly and transparently with uncertainties,

c) Establish, sustain and promote communication and collaboration between board and management,

d) Embracing risk taking in the organization's culture, without discouraging it since doing so may do more harm than good and stagnate growth and viability. An effective risk culture helps to govern and sustain the business in this changing landscape. Every change brings in its own share of risks and to avoid change in order to avoid risk will seldom work,

e) Put in place risk management strategies, processes and approaches that:

1 shall cover the entire business and its stakeholders,

2 address the full spectrum/gamut of risks,

3 lay the risk response strategy-Avoid, Transfer, Accept and Plan

4 prioritise risks based on impact, probability and velocity of different risks,

5 address the consequences (adverse or favorable) over a period of time both on standalone and combined (with similar risks) basis,

6 drive decisions making- strategic, tactical, operational, based upon risk-informed processes

6. COMPOSITION OF RISK MANAGEMNT COMMITTEE (RMC):

In accordance with Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, DCL continues its existing Risk Management Committee as constituted periodically, which fully complies with the said regulations. In case of any amendment or modification of the SEBI regulations, the RMC shall be re-constituted accordingly.

The RMC shall meet at least twice in a year (April to March timeframe).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.

The details of the RMC composition shall be hosted on the Company's website at www.deccancements.com

7. GOVERNANCE AND RISK MANAGEMENT ARCHITECTURE:

The following are the key roles and responsibilities of various entities regarding risk identification, assessment, mitigation and monitoring:

LEVEL	KEY ROLES AND RESPONSIBILITIES
Board of Directors	• Establish a risk culture and determine the risk appetite of the organization • Constitute the Audit Committee (AC), which shall in consultation with the Risk Management Committee (RMC)

LEVEL	KEY ROLES AND RESPONSIBILITIES
	institutionlise the Risk Register, Risk Profile, Risk Appetite and Governance initiatives at the entity. • Approve the Risk Rating Criteria as detailed in para 8.4 • Provide directions to the RMC about aspects involving external and internal risks with emphasis on ESG (Environment, Social, Governance), Cyber Security and such emerging risks • Oversee the development and implementation of risk management framework and maintain an adequate monitoring and reporting mechanism • Formulate risk management strategy to manage and mitigate the identified risks. • Provide directions and advice/suggestions to the RMC on top priority risks identified and its mitigation plan • Continually monitor the management of strategic risks;
Audit Committee	• Evaluate internal financial controls and risk management systems followed by the possible integration of these aspects; • Review financial and reporting risks; • Review the efficacy and utilisation of the ERP application along with Cyber Security and technology risks/exposures • Review and assess the impact of the findings of the External and Internal Audits
Risk Management Committee	• Assess, evaluate and rank risks as they emerge across various frameworks and approaches (e.g., COSO, SWOT, PESTEL etc.) • The risks faced by the reporting entity include (and not limited to) financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee. • Measures for risk mitigation including systems and processes for internal control of identified risks. • Business continuity plans in place as well as the manner they are integrated with the business processes so that the plans do not remain in isolation. • Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems through periodic reviews with stakeholders • Review strategic risks arising out of adverse business decisions and lack of responsiveness to changes;

LEVEL	KEY ROLES AND RESPONSIBILITIES
	• Review operational risks including cyber risks; • Review compliance risks; • Review the Company's risk philosophy and assess the extent of risk, that the Company may accept in pursuit of stakeholder value; • Review the extent to which management has established effective enterprise risk management; • Review effectiveness of risk management processes; • Review the Company's portfolio of risk vis a vis its risk appetite to ensure that risk exposures are consistent with overall appetite for risk; • Review key risk indicators and management response thereto. • Review and consider the appointment, responsibilities, authority and similar aspects involving the Chief Risk Officer (if any),
Chief Risk Officer (CRO)	• The Board, on the recommendation of the RMC, may appoint Chief Risk Officer or designate any executives to discharge the function of the CRO • Monitor compliance with this policy including scheduling meetings of the RMC (including impromptu meetings as situations may demand); • Own the entity level Risk Register and the prioritisation of the risks captured in the register. • Report to the RMC & Board on compliance with this policy; • Develop, implement and monitor risk management systems, management of policies and procedures relevant to the business, including facilitating regular review and maintenance of the risk register. • Meet the Departmental Heads/Risk Owners at periodic intervals to monitor the risk environment and comment on the adequacies of the compensating controls in place. Residual risk, if any, can be then looked at in a holistic manner by the CRO before escalating the same to the RMC.
Departmental Heads/Risk Owners	• Identify risks and the associated controls- direct and indirect • Escalate the risks to the CRO. Deliberate with the CRO on inclusion of the risks in the entity's Risk register and are prioritised in the manner as defined by the RMC • Implement risk mitigation plans for identified risks • Enhance awareness of risks within respective units,

LEVEL	KEY ROLES AND RESPONSIBILITIES
	divisions and functions • Be key in developing and sustaining risk culture at their department and unit • Map the interdependencies and cross departmental impact of the risks identified • Ensure risk documentation and monitor risk mitigation plans • Recommend training programs for staff with specific risk management responsibilities • Perform quarterly review of risk register • Work closely with the CRO to identify, evaluate, assess, prioritize risks as well as select the response • Escalate issues requiring policy approvals to RMC • Allocate the resources (time, personnel, tools etc) to address the risks so that these are not ignored for want of resources • Work closely with the CRO on seamless integration across the business on increasing the effectiveness of the RMC as well as promote Risk Culture • Maintain the kind of documentation necessary to capture the existence, maturity, efficacy and justification of the corrective steps to address the risks. These extend to the policy, procedures and overall understanding at the Department to address the risks • Interact with Internal audit on testing the design and effectiveness of the controls • Ensure that the required documentation is maintained and the required sign offs have been obtained
Internal Audit or similar competent body	Further, the independent Internal Audit function or such independent and competent body to provide assurance on the integrity and robustness of the risk management process.

8. RISK MANAGEMENT PROCESS:

The Risk Management process comprises of the following phases as hereunder:

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8.1. Risk Identification

Risk identification consists of determining the events risks that are likely to affect DCL and hence can graduate to an Incident. Each incident may have an adverse impact (hence referred to as Risk) or may have a favourable impact (hence called an Opportunity). RMC is tasked with the critical function of identifying risks that matter and document them in an objective manner so that it makes sense to the business. Once identified, the risk needs to be reviewed at periodic intervals to judge its relevance, character and impact. The biggest risk after risk identification is not having a review and update mechanism.

8.2. Risk Categorisation

This comprises of classifying risks under the following categories, based on their root causes:

a) **Strategic Risks,** relating to the-Company's business model, industry trend, market, competition, technology, investment evaluation in new product, resources, political stability and related matters,

b) **Financial Risks,** which include events that on materialising, will create financial obligations on the Company or will impact the profitability of the Company such as change in interest rate, cost over-run consequent to delays in project. implementation, commodity pricing changes, cash flow constraints and so on. Financial risk relating to treasury, investment and hedging has to be read in conjunction with treasury and hedging policy of the Company.

c) **Project Risks** given the projects underway (Line 3 and Grinder unit) including accompanying Execution Risks and Compliance Risks as regards MoEF (Ministry of Environment and Forest) and related regulatory agencies. This also addresses issues that relate advances/deposits that have been paid for geographic expansions,

d) **People Risks** that address Human capital at DCL. This includes existence of policies and procedures commensurate with the scale and nature of business. Among other things, it focuses on the ability of DCL to attract, retain and promote talent thus making the business known for its meritocracy, reward and recognition,

e) **Operations Risks**, which arise due to difficulty in meeting production targets, caused in turn by improper sales planning, non-availability of raw materials, contractual obligations, improper equipment planning including non-availability of spares on time, breakdown of machinery etc.

f) **Environment Health & Safety Risks,** that arise due to non- compliance to safety standards of the Company which may result in loss of human life or property. Please note the risks under this head pertain to existing operations, while those in (c) above refer to projects that have been mentioned separately,

g) **Compliance and Legal Risks that** arise due to violation of or non-compliance with statutory requirements, legislative amendments, judicial decisions, contractual disputes, public interest litigations, environmental regulations etc.

h) **Reputational Risks**, which are events that on materializing will impact the reputation of the Company and include issues that relate to Vigilance mechanism, Digital and Physical Security, Equity and Transparency aspects

i) **Social Risk**, such as local issues, adoption of villages, CSR activities and similar commitments to the local community etc.

j) **CYBER Risks**, which are potential threats as a result of attacks on information systems. These risks address issues relating to Hardware, Software, Applications, Peripherals, End point Security and such other measures

k) **Information Technology Risk**, which are risks associated with information management, knowledge management and technology absorption by the organisation

8.3. Risk Analysis and Prioritization:

The following scale shall be used to determine the level of risk:

Rating	Likelihood or Probability (P)	Impact (I)	Velocity * (V)
1	Rare	Negligible	Slow
2	Unlikely	Minor	Average
3	Possible	Moderate	Moderate
4	Likely	Major	Major
5	Almost certain	Severe	Very high

* *how soon can a risk hit the business. This requires the business or the RMC to have plans for disaster recovery or business continuity including emergency communication plans that together will protect the reputation and perception about the business as being proactive and transparent with the stakeholders in managing the crisis/disruption*

Risk Score (RS)= (P + V) X I

8.4. Risk Evaluation

Risks shall be rated on the basis of financial consequence (quantitative) and impact on operational effectiveness or reputation (qualitative).

Risk rating criteria shall be proposed by Chief Risk Officer to Risk Management Committee for further inputs. Approval to the same shall be given by Board of Directors.

Based on the combined score on impact, velocity and likelihood or probability as detailed in Para 8.3, risks shall be classified into various Zones as hereunder:

- Red Zone or 'High' risks, that require immediate action (Average score of 10 and more)
- Yellow Zone or 'Medium' risks where the focus is to further enhance existing controls. (Average score including and between 4 and 9)
- Green Zone or 'Low' risks, which are considered to be under control. (Average score 3 or less than 3).

Impact / Likelihood	Severe (5)	Major (4)	Moderate (3)	Minor (2)	Negligible (1)
Almost Certain (5)	25	20	15	10	5
Likely (4)	20	16	12	8	4
Possible (3)	15	12	9	6	3
Unlikely (2)	10	8	6	4	2
Rare (1)	5	4	3	2	1

Incorporating Velocity in this Heat map will make the map that much more relevant and cogent to the business.

8.5. Response to and Mitigation of Risk:

Risk mitigation responses may include: -

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

8.6. Risk Documentation and Reporting

All risks shall be documented in the Risk Register, which shall capture all risks-external and internal, consequences, probability and velocity leading up to the computation of risk score, prioritisation and the mitigation plan in a systematic manner.

A risk review involves re-examination of all risks recorded in the Risk Register and the revalidation of risk profiles across time and environment. The Risk Register shall be reviewed, assessed and updated on a periodic basis. The CRO is the owner and custodian of the Risk Register.

All risks related to fraud, corruption and anti-competition shall be reported promptly, independently of the amount and the probability of occurrence. It is in this regard that the effectiveness of programs like Vigil Mechanism, Prevention of Sexual Harassment (POSH), Anti- Bribery, Grievance Redressal, Code of Conduct and such matters become critical and promote/consolidate Risk Culture at the business.

8.7. Training and awareness:

The Board of Directors shall ensure that:

- Emphasis is given to training on risk management and improvement of process controls.
- All staff understand the Company's approach to risk management.
- All staff understand the benefits of risk management in their respective areas and applies the risk management principles in day to day operations.
- Risk Management is not a finger pointing exercise or all about finding a loophole. Rather, it is all about improving the quality of work and life by increasing accountability, responsibility and awareness.

9. DISCLOSURE:

The Risk Management Policy shall be disclosed in the Annual Report and on the website of the Company i.e. at www.deccancements.com

10. REVIEW / AMENDMENT OF THE POLICY:

The Board shall review this Policy at least once in two years. This policy, including definition and other provisions of the policy shall stand automatically amended in the event of any relevant regulatory amendments, clarifications etc. in the applicable laws, rules and regulations.

In case of any amendments, clarifications, circulars, notifications, etc., issued by the relevant authorities, not being consistent with the provisions of this policy, such amendments, clarifications, circulars, etc. shall prevail over the provisions of this policy.