



## **RISK MANAGEMENT POLICY**

### **Introduction**

Steel Exchange India Limited (the “Company”) considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company’s ability to identify and address risk is central to achieving its corporate objectives.

The Company’s Risk Management Policy (the “Policy”) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) and provisions of the Companies Act, 2013 (the “Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

### **Objective**

The Company is engaged in the business of manufacture of Rebars (TMT) and Power; and trading of Rebars (TMT). Risk is an inherent aspect of the dynamic business environment. The Risk Management Policy helps the Company 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. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

### **Responsibility of the Board**

The Board of Directors of the Company shall periodically review this Policy of the Company so that the Senior Management controls the risk through properly defined network.

The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day-to-day basis.

### **Risk Management Framework**

The Company’s risk management framework comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company’s Board of Directors as stated above, to oversee and manage the risk management framework, while conferring responsibility and authority on the Company’s senior management to





develop and maintain the risk management framework in light of the day-to-day needs of the Company. Regular communication and review of risk management practice framework the Company with important checks and balances to ensure the efficacy of its risk management framework.

### **Risk Identification**

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

The Company majorly focuses on the following types of material risks:

1. Commodity Risk;
2. Business Risk;
3. Foreign Exchange Risk;
4. Strategic Business Risks;
5. Operational Risks;
6. Quality Risk;
7. Competition Risk;
8. Cost Risk;
9. Financial Risks;
10. Human Resource Risks; and
11. Legal/Regulatory Risks.

### **Risk Assessment**

Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

1. Financial loss;
2. Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
3. Health, Safety and Environment related incidences;
4. Business interruptions / closure;
5. Loss of values, ethics and reputation.

The likelihood of occurrence of risk is rated based on number of past incidences in the industry, previous year audit observations, future trends or research available.

Risk may be evaluated based on whether they are internal and external, controllable and non-controllable, inherent and residual.



## Risk Analysis

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

## Risk Mitigation

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

1. Once the top or critical risks are prioritized, appropriate risk mitigation and management efforts to effectively manage these risks are identified.
2. Risk mitigation strategy usually involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The risk mitigation strategies may include managing the risk through implementation of new internal controls, accepting certain risks, taking insurance, and finally avoiding certain activities that result in unacceptable risks.
3. Proposed actions to eliminate, reduce or manage each material risk will be considered and agreed as part of the Risk Assessment Workshops or as part of Management.

## Oversight and Management

The Board of Directors is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by and Senior Management. The Senior Management may also refer particular issues to the Board for final consideration and direction.

The Board shall:

- ensure that the Risk Management Policy is being followed and effectively contributing to early identification of risks and proper mitigation process.
- monitor the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- set up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- provide management and employees with the necessary tools and resources to identify and manage risks;
- regularly review and update the current list of material business risks;





- ensuring compliance with regulatory requirements and best practices with respect to risk management.

### **Senior Management**

The Company's Senior Management is responsible for designing and implementing risk management and control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the risk control systems and processes by employees. Senior Management should report regularly to the Board regarding the status and effectiveness of the risk management framework.

### **Employees**

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

### **Review of Risk Management Framework**

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Senior Management and employees are responsible for its implementation.

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