

**ELECTROSTEEL CASTINGS
LIMITED**

Risk Management Policy

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Approved By: Board of Directors and
Risk Management Committee of
Board of Directors

This document is confidential in nature and supersedes any Risk Management Policy existing in the Company and should be read in conjunction with the most recent policies and procedures documented.

RISK MANAGEMENT POLICY

1. INTRODUCTION

Section 134(3)(n) of the Companies Act, 2013 requires a statement to be attached in the report of the Board of the Company 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. Further, Regulation 17(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') states that the Company should lay down procedures to inform members of Board about risk assessment and minimization procedures and the Board should be responsible for framing, implementing and monitoring the risk management plan for the Company. Regulation 21 of the Listing Regulations requires a Company to constitute a Risk Management Committee and Paragraph C of Part D of Schedule II to the Listing Regulations requires such Committee to formulate a Risk Management Policy for the Company.

2. DEFINITIONS

- (a) **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted or reconstituted from time to time.
- (b) **"Chief Risk Officer"** means the person so appointed by the Committee, from time to time.
- (c) **"Committee"** means the Risk Management Committee of the Board of Directors of the Company constituted under provisions of the Listing Regulations.
- (d) **"Policy" or "this Policy"** means Risk Management Policy of the Company.

Any other term not defined herein shall have the same meaning as defined in the Act and the Listing Regulations or any other applicable law(s) or regulations.

3. OBJECTIVES OF THE POLICY

This document outlines the policies and procedures relating to identification of internal and external risks faced by the Company in relation to financial, operational, sectoral, sustainability, including risks relating to environmental, social and governance-related risk, information, cyber security risks or any other risk as may be determined by the Committee and measures that may be taken to mitigate the risks, including setting up of systems and processes for internal control of identified risks.

4. ROLE AND RESPONSIBILITY OF CHIEF RISK OFFICER

The Chief Risk Officer is responsible for identifying the risks associated with the Company and also identify a roadmap to mitigate such risks in consultation with the Committee and disseminating the information to the Senior Management of the Company, who in turn would take necessary actions for giving effect to such mitigation of risk. The Chief Risk Officer is responsible to establish a risk control mechanism and a risk management system, on the principles of preventive, detective, automated and manual control in consultation with the Committee. The Chief Risk Officer is also responsible for creating awareness amongst the employees of the Company on the Policy. The Chief Risk Officer shall work closely with all the units and business heads of the Company to identify risks and then evaluate and negotiate risk response plans and setting up proper systems to mitigate such risks.

5. RISK IDENTIFICATION

Risk identification is based on the understanding the objectives of the Company and the strategies by the Company to meet its objectives. The purpose of identification of risks is to identify the events or areas that are likely to have an adverse impact on the Company and its business plans and strategies for which both past and potential events have been considered. The Committee has identified the following potential risks, namely, *Economic Risk, Operational Risk, Competitor Risk, Industrial Risk, Environmental Risk, Foreign Exchange Risk, Data Privacy Risk and Legal, Compliance and Regulatory Risk*. Please refer to the heading “Material Risk and Risk Response”, for the potential risks, the Committee considers material for the Company.

6. RISK EVALUATION

Upon identification of risks events, they are evaluated or assessed. The potential impact of a risk event may include a financial loss, operational loss, penalty and imprisonment due to non-compliance of applicable laws. The purpose of risk evaluation is to assist in making decisions, based on the outcome of risk identification. Risk evaluation involves determining its potential impact on the business and affairs of the Company, internal polices, and its probability of occurrence. The decisions should take into account the legal, regulatory and other requirements.

7. RISK TREATMENT

This involves, identifying one or more options for modifying risks, and implementing those options. Risk Treatment can be divided into four categories, namely:

- (a) Risk Acceptance: For risks which cannot be mitigated, transferred or avoided. This involves accepting the loss.
- (b) Risk Avoidance: For risks which can altogether be avoided, for activities which are not required to be started or continued.
- (c) Risk Reduction: For risks whose impact can be reduced or minimised.
- (d) Risk Transfer: For risks which can be transferred to third parties.

8. RISK MONITORING

The Committee shall periodically monitor the control mechanism and evaluate and review the effectiveness of the risk management systems. The Committee shall also oversee implementation of the Policy. The Committee shall, from time to time, appraise the Board on nature and content of its discussions, recommendations and actions taken to mitigate the risk.

9. MATERIAL RISKS AND RISK RESPONSE

The Committee, has identified the following types of risks which they consider material and which may impact the business plans and objectives of the Company. These risks are indicative in nature and is subject to change from time to time based on changing economic, sector and industry dynamics.

Risk Category	Risk Response
Economic Risk	<p>Economic risk can be described as the likelihood that the output of the project will not produce adequate revenues for covering operating costs and repaying the debt obligations. The causes can be many, for instance, the hike in the price for raw materials, failure to accomplish deadlines, disruptions in a production process, the change of a political regime, change of Industrial/Government policies, court orders, ordinance or natural disasters, etc.</p> <p>To counter this, the Company has taken various steps including backward integration which comprises brownfield expansions, e.g., Sinter Plant, Sponge Iron Plant, Coke Oven Plant, Power Plant from waste heat recovery, Ferro Silicon Plant, upgrading and expanding manufacturing capacities, exploring alternate source for procurement of critical raw material in case of delay in mining planned earlier, managing resources</p>

	<p>to meet financial obligation, and increasing efforts on research and development. In addition, cost control measures are an ongoing process. To avoid price volatility for critical items, the Company enters into contracts for bulk quantity as well as keeps on exploring alternate sources of supply.</p>
Competitor Risk	<p>As the market is highly competitive with the elimination of physical barriers, the Company is exposed to the competitor risk. Ductile Iron (DI) Pipe Industry is a technology intensive industry. Staying in tune with customers' need is vital to the sustainability of any company; the same can be safely said about the competition. With the entry of new players and the inevitable competition from other alternative industries, the Company constantly analyses the competitors from both marketing and strategic point through the assessment of strength, weakness of each competitor which helps to identify the opportunities and threats. The Company continues to focus on increasing its market share and taking marketing initiatives that help customers in taking informed decisions. The quality improvement, global presence through its subsidiaries, and product enhancement efforts have established the brand image of the product as the most preferred brand with the customers. With the thrust given by Government of India on water and water related projects and due to the anticipated growth in water requirement in India, the demand of DI Pipes is expected to grow substantially in the next few years and the Company is confident of retaining its market share</p>
Industrial Risk	<p>The Company ardently believes in recognising its people's talent & their potential as one of the major source required for achieving success in this competitive market. As a measure to achieve, the Company continues to pay sincere attention on people development by evolving a continuously learning human resource base to help them in improving their potential and fulfilling their aspiration. It is essential to have employees engagement in various spheres to create a congenial, conducive and healthy work culture. In the process, the Company gives utmost priority to community services, sports, education and medical services to the employees as well as the locality. The Company undertakes development program to enhance the competence of employees by imparting training in skill development and multiskilling, which increases the job security and scope for alternative redeployment. The crucial factors in the smooth operation of the plant includes good public relations and liaisoning with statutory bodies, union leaders and community. The Company through its experienced team of management has been successful in maintaining an excellent labour relation over the years. As a consequence of such harmonious relations, there has not been a single man day loss over a decade. Recently, the Company has settled the Charter of Demands of the unions and arrived at a long term settlement for a period of four years from 1 September, 2019 to 31</p>

	<p>August, 2023 and that too without any disturbance and or agitation. Virtually, the Company has bought peace for a period of four years. The Company is optimistic that due to a loyal, devoted and dedicated workforce, the labour relation will continue to strengthen further and play an important role in the success of the Company.</p>
<p>Environmental Risk</p>	<p>Environmental risks are defined as those potential adverse situations which may come from any regulatory and environmental non-compliances arising out of the operation of the Company's plant activities as well as other risks due to any future stipulations and local conditions, etc. This may impact the Company's image and also generate financial liabilities. This can be combination of different situations together also. Reduction of environmental risk is the main focus of the Environmental Management System of the Company as this makes a deep impact on Company's image towards the interested parties of our Company. Sustainability is also associated with environmental risk. Sustainability will be there if we can take proactive actions for mitigating any environmental risk. The Company's strong & effective Environmental Management System is always looking after the sustainable use of natural resources, continual improvement of process by adopting new technology and also to increase environmental awareness at all levels through training. Existing process improvement is also carried out for optimizing use of natural resources like water, fuel, etc. The Company has installed an appropriate pollution control system to control the key characteristics of the environmental parameters in respect of air, water, noise, etc. The Company has also implemented the 4R techniques (Reduce, Reuse, Recycle, Reprocess) in waste management system that helps in utilization of waste, handling of waste in environmental safe manner and to obey the legal directives from time to time. The Environmental Management System of the Company is always vigilant for monitoring activities of environmental performance, from time to time and analyzing the outcome of the results for further improvement. Being an ISO 14001 certified, the Company has to comply with each and every criteria of the said management system. Aspects of every activity related to environment is justified by related impacts and its associated risk. Control measures are also identified to reduce the risk level or eliminating the risk factors. Environment Management Cell along with the support of engineering department is regularly assessing the designs of Pollution Control System and doing needful for up-gradation. It is also working for mitigation plan of any probable stringent stipulations which are going to come in near future. Environment objectives and targets are also set considering the present and probable future risks. All above are focused to identify the risks, evaluated and mitigated within a given time frame on a regular basis. Management Review is being done on regular basis at different layers for checking the adequacy and effectiveness of</p>

	the established Environmental Management System and keep risk mitigation plan effective.
Foreign Exchange Risk	Foreign Exchange Risk (also known as exchange rate risk or currency risk) is a financial risk posed by an exposure to unanticipated changes in the exchange rate between two currencies. Multinational businesses exporting or importing goods and services are faced with an exchange rate risk which can have severe financial consequences if not managed appropriately. Considering the large exports and imports of raw material, the Company is exposed to the risk of fluctuation in the exchange rates. The Company has adopted a comprehensive risk management review system wherein it actively hedges its foreign exchange exposures within defined parameters, through use of hedging instruments such as forward contracts, options and swaps. The Company periodically reviews its risk management initiatives and also takes expert advice on regular basis on hedging strategy
Payment Risk	Payment Risk refers to the possibility of loss on account of non-receipt or delayed or part receipt of payments. For example, in case of incorrect or delayed payments, there are costs arising from transferring funds back, interest charges, replacement costs and other types of charges. In case of not receiving or receiving partial payments, there will be a principal loss. Since major water infrastructure projects are Government funded or foreign aided, the risk involved in payment default is minimum. Further, evaluating the credit worthiness of the customers has minimised the risk of default by other segment customers. Besides, the risk of export receivables other than subsidiaries is covered under Credit Insurance.
Data Privacy Risk	Due to COVID-19, the Company is collecting personal information about the medical condition of employees, vendors and other visitors to their premises. The Company is required to comply with statutory, regulatory and contractual restrictions with respect to the collection of data, its storage, its security and dissemination to manage data privacy risk. The Government introduced the Personal Data Protection Bill, 2019 (PDP 2019) in Parliament, which would create the first cross-sectoral legal framework for data protection in India. Currently, the data privacy requirements are governed by the Information Technology Act, 2000, as amended. Citizens and governments across the globe continue to face data breaches and scandals. This has transformed the way citizens, governments and organisations think about data privacy globally. Data privacy laws and societal expectation are increasing the imperatives to protect personal information of individuals

10. RISK REPORTING

The Chief Risk Officer shall make a draft annual report of the risks, containing *inter alia*, the risk type and areas, impact of risk, mitigation actions and measures undertaken by the Company for mitigating such risks. The Annual Report shall be based on information and inputs from Senior Management and shall be presented to the Committee, which shall then finalise the same and present it before the Board.

11. AMENDMENT TO THE POLICY

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments or rules, such provisions or statutory enactments or rules shall prevail over this Policy. Further, in case of any subsequent amendment(s), clarification(s), circular(s), etc., issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc., shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

12. DISCLAIMER

There could be other risks which will emanate because of changes in the internal or external environment within which the Company plans to operate. These risks are to be identified by the Committee during the normal course of business, from time to time.