Risk Management Policy
Excel Industries Limited (EIL)

Title	Risk Management Policy
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1. FOREWORD

The importance of risk management has been growing steadily during the past several years. The regulatory bodies globally have also emphasized the importance of Risk Management. Risk may be defined as events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

Organizations that are most effective and efficient in managing existing and emerging risks will, in the long run, outperform others. Simply put, companies make money by taking calculated risks and lose money by failing to manage risk intelligently.

By formulating the Risk Management Policy the Company endeavours to put a risk management framework in the system to minimize the occurrences and impact of risks to the extent possible.

2. LEGAL REQUIREMENTS

Section 134(3) of the Companies Act, 2013 ('the Act') requires the Board of Directors of a Company to furnish in its Board Report 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.

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Section 177(4) of the Act states that 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 systems.
SCHEDULE IV of the Act [Section 149(8)] - CODE FOR INDEPENDENT DIRECTORS - ROLE AND FUNCTIONS OF INDEPENDENT DIRECTORS:

Specify that the independent directors shall:

(i) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

(ii) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

SEBI LISTING REGULATIONS:

Regulation 21 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires top 1000 listed entities by market capitalization to constitute a Risk Management Committee and the Committee shall formulate a detailed risk management policy.

3. POLICY OBJECTIVE

The main objective of this policy is to ensure sustainable business growth by identifying, evaluating, resolving and reporting various risks associated with the business of Company. In order to achieve this key objective, the policy establishes a structural and disciplined approach to risk management, which helps in arriving at correct solutions for various risk related issues. The Policy aim to define and document the approach and the structure of framework that would be adopted in implementing Risk Management.

4. ROLE AND RESPONSIBILITY

As per the Listing Regulations the role and responsibility of the Board of Directors and Risk Management Committee shall, inter alia, include the following:

A. The board of directors shall be responsible for oversight of implementation and monitoring the risk management plan for the listed entity.

B. The Risk Management Committee shall:

(i) Design a framework for identification of internal and external risks in particular

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(ii) including financial, operational, sectoral, sustainability (particularly, Environmental, Social and Governance related risks), cyber security risks, etc.

(iii) Provide measures for risk mitigation including systems and processes for internal control of identified risks.

(iv) Formulate business continuity plan

(v) Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.

(vi) Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems

(vii) Periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

(viii) Keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

5. APPLICATION AND SCOPES

This policy shall apply to all the business operations of the Company at the following locations / office.

Registered office	Plants & Business Operations
184-87, Swami Vivekanand Road,Jogeshwari(W), Mumbai400102.	M.I.D.C.Area,Roha, Maharashtra M.I.D.C.Area,Lote, Maharashtra Atchutapuram, SEZ, Vizag, Andhrapradesh Beharampura, Ahmedabad, Gujrat Varanasi, UP R&D Lab at Charkop Industrial Estate, Kandivali

Risks associated with financial aspects shall be overseen by Audit Committee of the Company.

6. RISK MANAGEMENTPROCESSES

Risk is defined as possibility or threat of damage, injury, liability, loss or other disruptive occurrence, caused by external or internal uncertainties. It may be neutralized/minimized by pre-planned actions.

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The important risk management processes are: Risk Identification, Risk Categorization, Risk Assessment, Risk Mitigation, Risk Communication and Risk Monitoring.

6.1 RISK IDENTIFICATION

Each function of the Company needs to identify the risks that are attached to its business operations. Thus, broadly, Production, Sales & Marketing, Procurement, Logistics, Finance, Legal, Information Technology, Human Resources, R&D, Projects have to identify operational risk. Senior Management will identify strategic risk and the risks associated with launching of new projects and programs.

Followings are the techniques of risk identification:

i. Facilitated workshops and interviews -EIL shall use the techniques to identify events by drawing on accumulated knowledge and experience of management, staff and other stakeholders through structured discussions.

ii. Internal & external analysis -Includes routine business planning process and utilize information from other stakeholders (customers, suppliers, other business units) or expert knowledge from outside the unit (internal or external functional experts or internal audit staff).

iii. Risk inventory - EIL shall detail listing of potential events common to companies within industry, and risks that are peculiar to the Company.

iv. Process flow analysis -This technique considers the combination of inputs, tasks, responsibilities, and outputs that form a process. By considering the internal and external factors that affect inputs or activities within a process, EIL shall identify events that could affect achievement of process objectives.

v. Operational Audits – During the course of Business, several operational audits are carried out like EHS Audit, Structural Audit, Internal Audit, IT Audit and other operational reviews. Deficiencies and risks so identified through such audits are normally rectified at operational level within a reasonable timeline. Any residual risk that goes beyond the decision matrix of the functional head shall be escalated and be include in the Company level Risk inventory for mitigation

6.2 Risk Assessment

In assessing the risk, EIL Management shall consider expected and unexpected events. Many events are routine and recurring, and are already addressed in management programs and operating budgets, while others are unexpected. Top management

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assesses the risk of unexpected potential events that can have a significant impact on the entity. A master list of all such potential events are reviewed and updated every year.

Uncertainty of potential events shall be evaluated from perspective such as -Impact (I), Probability (P) and Control. Impact represents effect of risk, while Probability represents the possibility that a given event will occur. Below table qualitatively defines each level of P & I

Interpretation of "P" values		Interpretation of "I" values	
0	not at all possible	0	no impact
1	very unlikely	1	very low impact
2	unlikely	2	low impact
3	likely to occur	3	medium impact
4	very likely to occur	4	high impact
5	certain that it will occur	5	extremely critical

Based on the assessment of P & I value for each event, the final Risk score is arrived at and is represented as a product of P x I.

At the start of every year, along with the AOP, the master list of events are reviewed and rated for Risk Score. Any new risks that are likely during the next year are also included into the master list and Risk Score is given. Subsequently top 8 events with highest Risk Score are shortlisted for implementing mitigating actions.

6.3 Risk Mitigation

Having assessed relevant risks, EIL Management shall determine how it will mitigate the risk, which includes: risk avoidance, reduction, sharing, and acceptance. Mitigation considers the effect on risk likelihood and impact, as well as costs and benefits, selecting a response that brings residual risk within desired risk tolerances.

6.4 Communication

EIL Management shall assign and communicate the risk to concerned operating risk owner with accountability and corresponding authority.

An open communication channel shall exist between top executive management and the board of directors for communication of appropriate information on timely basis.

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6.5 Monitoring

EIL Management shall determine, through ongoing monitoring activities or separate evaluations/ audit system whether the Risk Management system is working effectively.

The Company shall form two separate internal risk committees one for Chemical Division and other for ENBT – Division. Actions to mitigate the identified risks shall be taken by the Risk Reduction Committee (RRC) of each division. For Chemical division the internal committee shall comprise of COO, VP-SCM, VP-HR, 3 Site Heads & Sr. Manager Accounts (For IT Actions). Coordinator will be Mr Kiran Amburle. Progress of actions will be internally reviewed twice during the year.

Similarly, the ENBT division shall also have an internal committee comprised of senior operating executives to review and monitor execution of the risk mitigation plans.

6.6 Review and Reporting

Risks register /inventory will be reviewed annually.

Risk Management Committee will review and evaluate the risks at least twice in a financial year.

Periodically, the Board of Director shall be apprised of the risk evaluation outcome and status.

7. POLICY REVIEW

The Risk Management Committee will review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

ASHWIN SHROFF
EXECUTIVE CHAIRMAN