

# **SISCO**

**SUNFLAG IRON AND STEEL COMPANY LIMITED**  
**REGISTERED OFFICE:33, MOUNT ROAD, SADAR,**  
**NAGPUR – 440001 (MAHARASHTRA)**

## **RISK MANAGEMENT POLICY**

**[Pursuant to Section 134 (3) of the Companies Act, 2013 and Regulation 17 (9) read with Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]**

## **Brief Description**

Risk Management Policy underpins our efforts to remain a competitive and sustainable Company, enhancing our operational effectiveness and creating wealth for our employees, shareholders and stakeholders in pursuance of our strategy.

## **Objective**

*SUNFLAG STEEL* recognizes that it is exposed to a number of uncertainties, which is inherent for the industries that it operates in. The volatility of the steel industry affects the financial and non-financial results of the business. To increase confidence in the achievement of the objectives and the sustainability of our business, management has implemented a risk management process operated by the business as part of the regular management activities.

### **The basic objectives of the Risk Management Policy are:**

- To ensure a risk management system as per the requirement of the Company.
- To establish a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability [particularly, Environmental, Social and Governance (ESG) related risks), information, cyber security risks or any other risk as may be determined by the Risk Management Committee.
- To ensure measures for risk mitigation including systems and processes for internal control of identified risks.
- To design Business Continuity Plan.
- To smoothen the business process by apt handling of risks involved.

### **Principles:**

To achieve the above objectives, we adhere to the following core principles:

1. **Effective risk management process:** The Board has overall responsibility for ensuring that *SUNFLAG STEEL* maintains an effective risk management process.
2. **Everyone's commitment:** Each manager has to operate a risk management system consistent with the corporate requirements within the organisation he/she runs.
3. **Proactive leadership:** Risk identification (including identification of the risk of lost opportunities), risk assessment, risk response and risk monitoring are ongoing activities

and form an integral part of the daily operations, management and decision-making processes.

4. **Risk Culture:** Informed consistent risk-related decisions are taken, non-compliant behaviour is not tolerated and risk management is dealt with professionally.
5. **Transparency and compliance:** Regular reports about the risk management activities, the most significant risks and the material failures in mitigation measures are escalated through the reporting line to the relevant levels of Group management structures.

## **OVERSIGHT AND MANAGEMENT**

### **Risk Management Committee**

The day-to-day oversight and management of the Company's risk management program has been conferred upon the Risk Management Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks.

### **Board**

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by risk management committee and senior management.

### **Senior Management**

The Company's senior management is responsible for designing and implementing risk management and internal 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 internal risk control systems and processes by employees.

### **Employees**

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

## **RISK MANAGEMENT FRAMEWORK**

## **PROCESS**

A risk is a potential event that negatively affects the achievement of the vision, mission, goals and targets of the Company or organizational unit. Risk Management is an attempt to minimize the negative effects from the various sources of risks to the Company's business activities so that objectives can be achieved optimally.

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. The concept of risk management is to improve the Company's ability to address the increasingly complex internal and external potential business risks. Through risk management, the Company expects to identify potential critical problems for the Company's business and to perform mitigation measures that are considered as most convenient.

A framework for identification of internal and external risks faced by the Company, in particular including strategic/sectoral, financial/liquidity, operational, marketing, sustainability (particularly, ESG related risks), employee related risk, cyber security-information and employee dishonesty risk, credit risk, product related risks, natural calamity risk or any other risk as may be determined by the Committee shall be prepared.

## **STEPS IN RISK MANAGEMENT**

1. Risk Identification
2. Risk Assessment
3. Risk Analysis
4. Risk Treatment
5. Risk Mitigation
6. Risk - Control and Monitoring

### **1. RISK IDENTIFICATION**

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes are identified by the Company and their key activities are selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined based on the detailed discussion, analysis etc.

*Sunflag Steel* for its integrated steel plant anticipates and identifies the following major risks in its business, viz.,

- **Strategic/Sectoral Risks** - risks that are strategic for the development of the Company or are sectoral based, such as technology development, government policies, investment plans, new product development, obsolete products, the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation,

competition, utilisation levels along with the impact of government regulations and policies on the Company

- **Operational Risk** - the risk of loss due to the failure or inadequacy of the quality control of business processes, labour unrest, risk of fire, accidents, injuries, suspended operations of plant, non-availability of basic raw materials etc.
- **Financial Risk/ Liquidity Risk** - the risk that directly or indirectly lead to financial losses.
- **Treasury Risks-** Treasury risks include, among others, exposure to movements in interest rates and foreign exchange rates.
- **Marketing Risk** - the risk that are directly or indirectly related to selling of finished products and subsequent value realization from customers, warranty claim, defective supplies not traced at immediate customer, concentration of sales to few customers, etc.
- **Environmental Risk** - the risk that impacts on environmental degradation, environmental pollution, social disruption, the Company's reputation etc.
- **Employee Risk** - the risk associated to personnel issues including health, pension plans, accident, retirement and termination of employment due to dishonesty etc.
- **Information/ Cyber Security Risk and Employee Dishonesty Risk-** Use of Information and a digital security Breach or disruption to digital infrastructure caused by intentional or unintentional actions, such as cyber-attacks, data breaches or human error, hacking of confidential data / passwords and associated with employee dishonesty could have serious impact on business.
- **Sustainability Risk** - an environmental, social or governance event or condition that, if occurs, could cause an actual or a potential material negative impact on company, the risk that impacts on environmental degradation, environmental pollution, social disruption, and the Company's reputation.
- **Credit Risk-** the risk associated with credit allowed to customers whose financial health is either not good or at the verge of becoming bad. Also related to advance to suppliers/ vendors who may fail to supply goods.
- **Compliance and control risks-** Increased regulatory scrutiny has raised the bar on regulatory compliance. This requires alignment of corporate performance objectives, with regulatory compliances requirements.
- **Business/Product related Risk-** Concentration business in one single segment viz Auto / Auto ancillaries
- **Natural Calamity Risk.**

## 2. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk

events are assessed for the purpose of analyzing the criticality. The potential impact may include:

- A. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.
- B. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

### **3. RISK ANALYSIS**

Risk Analysis is to be conducted 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.

### **4. RISK TREATMENT - MITIGATION**

To ensure that the risks are mitigated, Company will strive to evolve system and process of mitigation exercise adopting a holistic approach involving the employees, senior management and a vital role of Risk Management Committee.

### **5. CONTROL AND MONITORING MECHANISM**

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes.

## **BUSINESS CONTINUITY PLAN**

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of God. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

Company shall have Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Risk Management Committee.

## **RISK REPORTING**

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, Risk Management Committee and senior management aims to ensure the specific responsibilities for risk management and clearly are communicated and understood.

The Risk Management Committee of the Board supports the Board of Directors in fulfilling its corporate governance and oversight responsibilities with the monitoring and review of the risk management framework and process of the Company.

The risk management function, under the leadership of the Board of Directors, facilitates the process, proposes the risk management framework and an adequate organization structure and prepares the reporting documentation.

The segments and corporate functions are responsible to operate a risk management system consistent with the Company's risk management process, to develop appropriate risk management guidelines for their respective businesses and providing adequate information. All risk management activities, undertaken are fully part of this process.

The Internal Assurance function provides assurance to the Board of Directors about the efficiency and the effectiveness of the risk management process.

## **AMENDMENTS**

The Board of Directors on the recommendations of Risk Management Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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