

# INDAG RUBBER LIMITED

(CIN-L74899DL1978PLC009038)

## RISK MANAGEMENT POLICY

(Approved on January 10, 2015)

(Amended on May 24, 2018)

## **1. Scope**

1.1 It identifies those risks that could have impact on the business together with the potential consequences, should those risks materialize, plus the mitigation actions/plans that are required to manage those risks to an acceptable level.

## **2. Introduction**

2.1 Risk assessment and managing risk forms an essential part of the overall management of Indag. The risks associated with the successful operating of the business objects, both under our direct control and those influenced by outside agencies, have to be assessed and managed to a level where they are insignificant or as low as reasonably practicable.

2.2 Risk Management Policy is framed as per the requirement of Section 134(3), 149(8) and 177(4) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

2.3 According to aforesaid provisions, the Board of Directors, Audit Committee and Management Team shall develop, implement and monitor a risk management plan including identification of elements of risks, if any, which in the opinion of the Management Team may threaten the existence of the company.

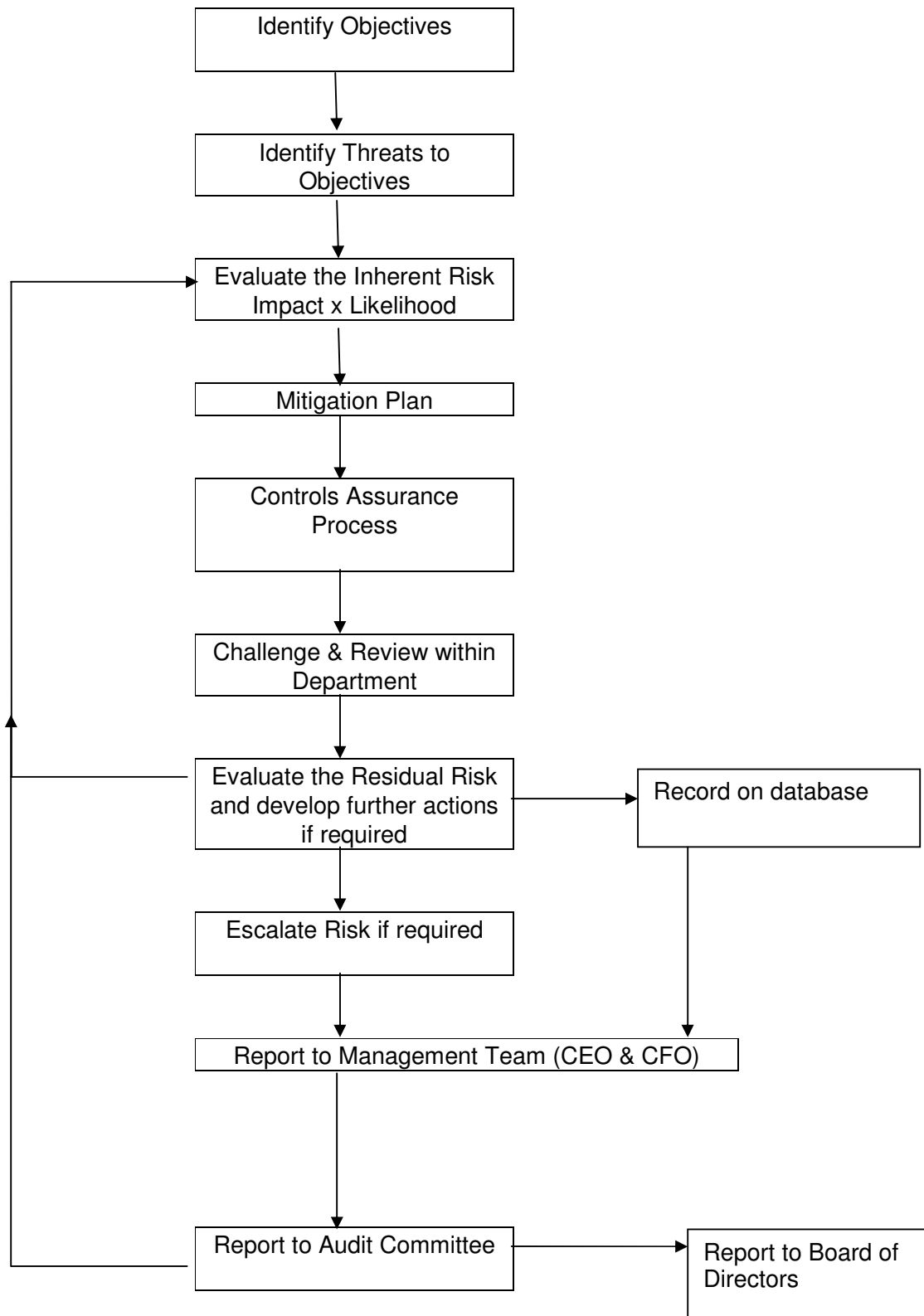
## **3 Summary of Risk Management Process**

3.1 The process used by Indag in the management of the business risk is summarized in this section.

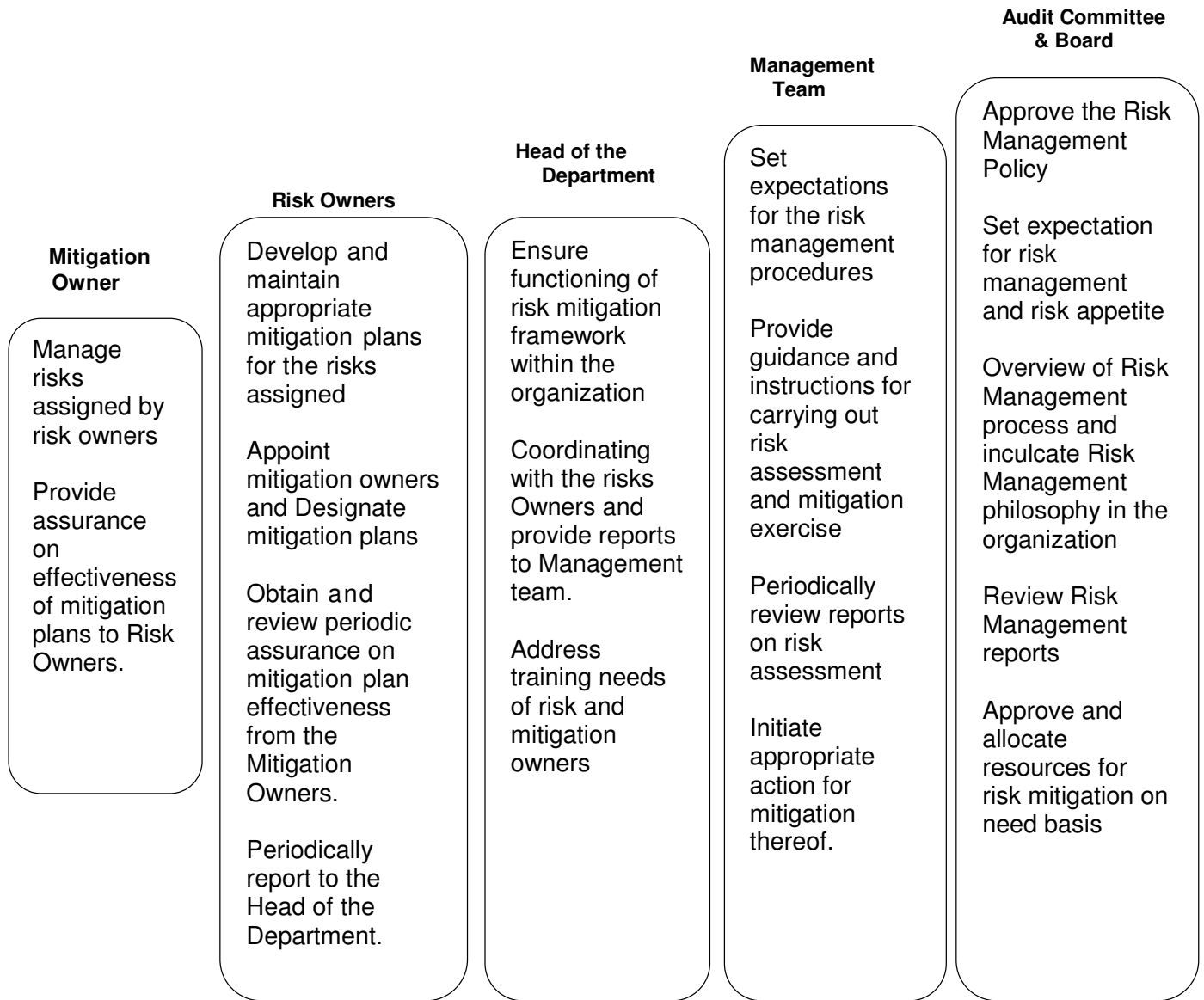
3.2 The process flow chart in fig 1 identifies the steps in the process for identification, evaluation, mitigation and review of risk.

3.3 Fig 2 represents the Risk Management Oversight Structure.

**PROCESS FOR IDENTIFICATION, EVALUATION, MITIGATION AND REVIEW OF RISK  
(FIG-1)**



## RISK MANAGEMENT OVERVIEW STRUCTURE (FIG 2)



## 4. Identification and Risk Analysis

### 4.1 Risk Identification

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Management Team along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by the Management Team through participation of the vertical/ functional heads and a preliminary report thus finalized shall be placed before the Audit Committee and Board.

### 4.2 Risk classification

Risk may be classified in the following category:

- i. Strategic
- ii. Operational
- iii. Financial (interest costs risk, credit risks, security price risk and liquidity risk)
- iv. Hazard
- v. Cyber risk

### 4.3 Risk Description

Each identified risk may be described in a structured format, as under-

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Hazard
Quantification of Risk	Significance & Probability
Risk Tolerance/ Appetite	Loss Potential & Financial Impact of Risk
Risk Treatment & Control Mechanism	a) Primary Means b) Level of confidence c) Monitoring & Review
Potential Action for Improvement	Recommendation to Reduce Risk
Strategy & Policy Development	Identification of Function Responsible to develop Strategy & Policy

### 4.4 The likelihood (probability) of the Event happening

After risk analysis, an assessment is made on the Likelihood or probability of an event/ risk occurring. A rating of 1 to 3 from unlikely to almost certain is used.

Likelihood Score	1	2	3
Likelihood Level	Unlikely	Below average	Above average
Likelihood Descriptor	Low	Possible	Probable
Percentage Likelihood	> 5% & <10%	> 10% & <50%	>50% & above

#### 4.5 Impact or Consequence

The impact or consequences on the Indag business if the event was to occur is then assessed. Assuming the risk has materialized an assessment is undertaken as to the impact in terms of: Cost, Health Safety environment and loss of production and Reputation and is rated from 1 to 3 as per the table below for each area.

Where an event could have an impact on more than one category, e.g. an incident could affect both financial and Health Safety environment and loss of production, the highest rating is referred to.

<b>Impact Score</b>	<b>1</b>	<b>2</b>	<b>3</b>
Description	Low	Moderate	Significant
Financial Loss	5% of PBT	5% to 10% of PBT	10% & above of PBT
Health Safety Environment	Minor/ No injury	Reportable injury	Fatality / Major injury
Loss of production	>10% of monthly production	10% to 25% of monthly production	25% & above of monthly production
Reputation	Internal knowledge only on incident	Adverse coverage at local and industry level	Adverse coverage at Regional or National level

#### 4.6 Risk Assessment Score

Having assessed the probability and impact, the Risk is determined by multiplying the Likelihood rating by highest impact rating. This gives a score of between 1 to 9. The risks are then categorized as:

- Score: 1 to 3 are deemed as low risk
- 4 to 6 are deemed as medium risk
- 7 to 9 are deemed as high risk.

#### 4.7 Inherent Risk Rating

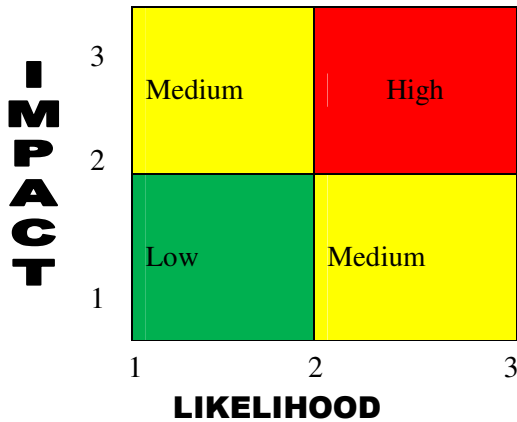
The rating of a risk without the necessary control measures to mitigate is called the Inherent Risk. This is recorded on the Risk Registration form and the Indag Business Risk Register for future reference.

Control measures have to be put in place to reduce the Risk to an acceptable level.

## 4.8 Risk Matrix

The risk can be plotted as shown below on a Risk Matrix to show the level of risks and total risk in the company.

Risks are classified as being High, Medium or Low as shown, dependent upon their position on the Risk Matrix.



## 4.9 Management of Risks

For all risks above low, the risk owner shall develop and implement a specific Risk Mitigation Action Plan. The Risk Owner shall assign responsibility for risk management actions to individuals in the team (Action Owners) and provide start and end dates against each action, so that progress can be tracked.

## 4.10 Acceptable Risk Level

An acceptable risk for the company is one that is at a Low level i.e. has a score of three or less. Where a risk has a score of four and above all reasonable measures have to be taken to reduce the score to less than three. Risks assessed at seven and above are unacceptable and actions MUST be taken to reduce.

Where a risk is above three all reasonably practicable measures have to be implemented to reduce to level of three or below. Where the risk has been reduced below seven but is above three a formal documented case has to be written by the Process Owner explaining why the risk cannot be reduced further and is at a level that is **AS LOW AS REASONABLY PRACTICABLE** (ALARP). This case and maintaining the risk at an ALARP level has to be approved by Risk Management Committee.

## 4.11 Mitigation Measures or Controls

Having identified and assessed the Inherent risk the next step is to identify the mitigation measures that are either in place or need to be put in place to reduce the risk to a Low Level or to ALARP.

#### **4.12 Controls Assurance Process**

Risk owners need to assure themselves that controls continue to be appropriately designed and are working, which are periodically reviewed by Risk Management Sub-Committee, and report thereon is placed before Risk Management Committee and Audit Committee.

#### **4.13 Assessment of Controls**

The effectiveness of the Mitigation Plan and Controls is quarterly reviewed by Risk Management Sub-Committee.

#### **4.14 Reduction in Inherent Risk level**

Once an action plan is implemented and the risk 'controlled' it should not be closed or removed from the Risk Register. Risks should only be closed when the inherent threat to business objectives no longer exists e.g. by virtue of the activity ceasing or changes in the external environment.

If the inherent threat to business objectives no longer exists (eg. Virtue of the activity ceasing or changes in the external environment), and the risk can be closed, this should be approved by Risk Management Committee if the risk falls within the significant risk universe.

#### **4.15 Risk Escalation Procedure**

- Residual risks that score higher than 3 shall be escalated to the Management Team. They should also continue to be reviewed within departmental team meetings.
- A summary of Business Residual risks greater than 3 will be reported to Indag's Audit Committee and will be reviewed annually by the Board.