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SHIVA CEMENT LIMITED

RISK MANAGEMENT POLICY

1. **Objective:**
The policy aims to ensure:
a) Resilience for sustainable growth &
b) sound corporate governance

2. **Applicability**
The policy applies to all units & functions of the company.

This policy, documents the present practices & will continue to capture practices which evolve in future so as to ensure that:

a) Known process & transaction risks are standardised & managed effectively through tactical & executive management, policies, processes, inbuilt systems controls, MIS, internal audit reviews etc

b) Crisis conditions are handled with action focus

c) New situations to which organisation does not have exposure is handled under advice of experts having relevant experience

d) For fast changing Volatile, Uncertain, Complex & Ambiguous (VUCA) conditions; company will have continuously evolving

i) sensitisation with emerging sentiments, patterns or disruptive shifts
ii) systems for churning & tracking of ideas or insights &
iii) collaboration tools to drive the change

3. **Policy:**

a) Shiva Cement Ltd follows the Committee of Sponsoring Organisations (COSO) framework of Enterprise Risk Management (ERM) to classify, communicate & respond to risks & opportunities based on probability & impact.

b) Response strategy will be to ensure Resilience such that

i. Intended risks, like for growth, are taken prudently so as to plan for the best & be prepared for the worst, through stress testing of assumptions etc

ii. Unintended risks arising due to incidents, competencies or processes are avoided, mitigated, shared or probability or impact thereof is reduced through proactive actions.

iii. Knowable unknown risks in fast changing Volatile, Uncertain, Complex & Ambiguous (VUCA) conditions are managed through timely sensitization commensurate with future impact of i) stakeholder sentiments, ii) biased perspectives; iii) emerging patterns, iii) disruptive shifts.

iv. Overall risk exposure of present & future risks remains within Risk capacity.

4. <u>Process:</u>

- The Risk owners identify risks, opportunities & make risk response plans.
- High risks affecting unit are discussed at respective locations.
- Risks affecting the entire company /corporate functions are reviewed at corporate meeting.
- Risk Management cell facilitates discussion on business risks & internal audit reviews process risks & controls

5. <u>Risks, Impact & response strategies:</u>

Type of Risk	Impact	Risk response strategies
Macro Environment & Strategic risks	Macro factors like global inter linkages, socio-political and environmental factors, disruptive changes, sentiments and systemic factors can cause uncertainty and complexity. Condition and action/inaction of government, investors, lenders, customers, competitors, local community and vendors can cause dependency and cumulative cascading impact. Unforeseen changes in external scenario can affect resilience in strategies	Review and monitoring of reports of specialized agencies & interactions with all concerned help track macro environment. Internal meetings ensure multidisciplinary stress testing & regular tracking of assumptions so as to proactively respond.
Industry Cyclicality	Adverse demand-supply dynamics of cement industry can affect sales and margins. The markets for Cement are rapidly evolving and highly competitive and we expect that competition will continue to intensify due to establishment of new capacities, expansion of existing capacities	Company de-risks by 1) Better market intelligence 2) Widening and deepening customer reach Exploiting the strong relationship with our dealers to market the higher

Type of Risk	Impact	Risk response strategies
	and consolidation of operations across the cement sector.	production of cement is an equally valid strategy being pursued. 3) Responsive credit & pricing policy,
Technological obsolescence	High cost of the production, low profitability and substandard quality of products due to technological obsolescence.	Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology. Company has established contacts with leaders in technology, particularly in the areas of the company's operations. It has resulted in our ability to access to newer and evolving processes.
Raw material availability & cost	Availability and cost of required grade of raw material (Lime stone, Slag, Gypsum, Coal & Gas) are impacted by: 1) Movement and parity of landed cost considering price, freight, tariff and exchange rates. 2) Domestic demand-supply gap, constraints & vendor actions 3) Policies on mining, allocation and tariff.	1) Company regularly tracks Commodity markets and has developed alternative sources for uninterrupted supply of raw material. 2) Company has sufficient limestone reserves for its existing operations, moreover we are trying to secure additional reserve to meet increasing capacity. 3) Proper inventory control system have been put in place.
Infrastructure & Logistics	Various factors can affect movement of inbound raw material & outbound goods – a) Port related risks like – i) Port congestion , ii) Port infrastructure, iii) Port rail connectivity iv) Strikes at ports b) Railway related risks like - i) Rail track constraints at port, ii) Rake availability, iii) Risks of land slide on route; iv) strikes c) Storage, transportation & material handling risks causing exposure to weather & hence affecting quality.	Company plans to 1) Broad base port options 2) Optimize logistics by having a combination of road and rail 3) Interact with railways for infrastructure, connectivity & rakes. 4) Improve loading/ unloading infrastructure 5) Ensure care in voyage & route planning & material handling

Type of Risk	Impact	Risk response strategies
	d) Shipping related risks like availability, cost, weather conditions & piracy on route.	6) De-risk by taking insurance
Environment, Health & Safety	The following can affect the life, property, operations and environment: i) excess emissions ii) discharge of pollutants, waste iii) natural calamity iv) occupational disease v) accidents vi) fire / leakages vii) security;	Company de-risks by 1) Proper treatment & discharge of waste like de-dusting, RO plant, etc 3) Safety training, structures audit, Hazop study 4) Fire prevention and handling processes 5) Round the clock medical facilities 6) Security arrangements like access monitoring system, vigilance, mock drills 7) Disaster management practices review by external agencies at regular intervals 8) The property of the company is insured against natural risks like fire, flood, earthquakes.
Reputation	Reputation of the company may be affected by – 1) Violation of the law with malafide intentions by any person or organisation associated with the company 2) Poor corporate governance – inadequate/ ineffective controls which may give rise to fraud, negligence etc. 3) Performance failures	Company de-risks by 1) Strict adherence to applicable statutes through compliance check-lists, internal communications, regular audits. 2) Robust corporate governance practice, code of conduct and whistleblower policy. 3) Effective stakeholder & performance management
Finance- Funding, Liquidity, Credit & Volatility	Finance can be affected by- 1) Market sentiments & norms setting limits on funding 2) Business risks affecting volume, margins and working capital	Company de-risks by 1) Effective process of credit management and recovery process

Type of Risk	Impact	Risk response strategies
	3) Increased operational cost, interest, unplanned expenditure. 4) Customer financials affecting collection & vendor financials affecting credit on supplies	2) Regularly reviewing financing, hedging, pricing and procurement policy considering exposure, emerging scenario, track record etc.
Human Resource	Organisational Competency, Culture & Performance are affected by: 1) Non availability or obsolescence of talent 2) Non tracking of employee sentiments & extent of cultural integration more so on merger of companies 3) Lack of Manpower planning, clarity of role definition or performance management.	Company re-risks by 1) Effective talent search process. 2) Competitive compensation 3) Robust performance mgt. system to reward potential & initiative 4) Adequate training for leadership & specific competency 5) Leadership driven tone at the top, code of conduct, HR policies , open forums & employee engagement programs.