

## **RISK MANAGEMENT POLICY**

***[Pursuant to Regulation 21 read with Part C of Schedule II of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]***

### **1. PREFACE**

Risk in literal terms can be defined as the “effect of uncertainty on the objectives”. Risk is an inherent aspect of the dynamic business environment. Risk is measured in terms of consequences and likelihood. Risks can be internal & external and are inherent in all administrative & business activities.

Risk Management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and / or impact of uncertain events.

This Policy will be known as "**ADOR WELDING LIMITED's RISK MANAGEMENT POLICY**", hereinafter referred to as 'Policy'.

This Policy is prepared in accordance with the applicable provision/s of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy will come into effect from 01st June, 2021.

### **2. LEGAL FRAMEWORK / PROVISIONS UNDER VARIOUS STATUTES**

- Section 134(3) of the Companies Act, 2013 requires the Board of Directors of a Company, as part of the Board's Report, to give 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.
- Section 177 of the Companies Act, 2013 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 system. The same is also mentioned under Regulation 18 read with Part D of Schedule III (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- As per Schedule IV of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.
- Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

- Regulation 21 read with Schedule II part C of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates constitution of a Risk Management Committee along with their roles and responsibilities.

### 3. DEFINITIONS

- "The Audit Committee" means Committee of the Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) (LODR) Regulations, 2015.
- "Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)
- "Policy" means Risk Management Policy.
- "SEBI" means Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992
- "LODR" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time
- "Risk Assessment" means the systematic process of identifying and analyzing risks. Risk Assessment consists of a detailed study of threats & vulnerability and resultant exposure to various risks.
- "Risk Management" means the systematic way of protecting business resources and income against losses, so that the objectives of the Company can be achieved without unnecessary interruption.
- "Risk Management Process" means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.
- Risk Management Committee means the Committee constituted by the Board to monitor and review the risk management plan and such other functions, as it may deem fit, pursuant to Regulation 21 of SEBI (LODR) 2015.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation, including any amendment or modification thereof, as may be applicable.

### 4. OBJECTIVES

- To ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks, associated with the business
- To ensure that all the current & future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability

#### ADOR WELDING LIMITED

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## 5. RISK MANAGEMENT PROCESS

### i. Risk Identification

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes / Areas / Activities should be identified by the Company for the purpose of risk assessment. Identification of risks / risk events should be done by analysis of related data, previous internal audit reports, past occurrences of such events etc.

### ii. Risk Assessment

Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential Impact may include:

- Financial loss;
- Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
- Loss of talent;
- Health, Safety and Environment related incidences;
- Business interruptions / closure
- Loss of values, ethics and reputation.

### iii. Risk Analysis

Risk Analysis is to be conducted taking into consideration its likelihood and Impact. Risk events assessed as / with "high" or "very high" criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored.

### iv. Risk Treatment – Mitigation

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis should to be evaluated. Action plans supporting the strategy should be implemented with defined timelines.

### v. 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 a foundation for the development of an effective risk management system, containing both the definitions and the guidance necessary for the process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated, such risk shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

## 6. CATEGORISATION OF RISKS

### i. **Financial Risk**

Financial risks includes, but not limited to, changes in interest rate, exchange rate, change in taxation policies, financial leverage risks, expenditure risks, risks in settlement of dues by dealers/customers, Provision for bad and doubtful debts, Blockage of funds i.e. Delay in realization of sales

### ii. **Manufacturing / Production risk**

Volatility in raw material prices, delay in procurement, obsolescence of input material, Spike in work / spike in orders, transportation risk, schedule delay.

### iii. **Regulatory risks**

Changes in international and domestic laws, rules, policies, tax regulations, technical standards and trade policies.

### iv. **Human Resource risk**

Non-availability of competent manpower, high attrition & absenteeism ratio, Brain drain or attrition of critical talent, retention challenges and increase in training cost.

### v. **Strategic risk**

Emerging businesses, Mergers & Acquisitions, capital expenditure for capacity expansion and other purposes are normal strategic risks faced by the Company

### vi. **Information Technology risk**

Risks related to Information Technology (IT) systems; data integrity, digital and physical assets, cybercrime and fraud.

### vii. **Industrial Safety, Employee Health and Safety Risk**

Diversified manufacturing facilities at various locations and labour-intensive nature of work comprises health risks for the workforce due to reasons like machinery breakdown, human negligence, among others.

### viii. **Environmental risks**

Adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, pandemics etc.

### ix. **Legal Risks**

Legal risk is the risk in which the Company is exposed to any legal action. As the Company is governed by various laws and regulations, hence the company is exposed to legal risk if there is any violation done, including Contract Risks and Contractual Liability

x. **Political Risks**

Change of governments at Centre or State, Change in Government Policies, terrorist attacks and other acts of violence or war

**7. RESPONSIBILITY FOR RISK MANAGEMENT / MITIGATION**

Every employee of the Organization is responsible for effective management of risk including the identification of potential risks. The Head of Departments and Senior Management in the Company, under the guidance of the Board / Risk Committee are responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. They are 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. They must implement the action plans, developed to address material business risks across the Company and individual business units. Risk management processes should be integrated with other planning processes and management activities.

In addition, Senior Management should also promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems & processes by employees.

Risk Registers, showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. shall be maintained and shall be placed before the Risk Management Committee, Audit Committee and the Board for their perusal.

**8. REVIEW OF THIS POLICY**

- i. The Risk Management Committee will review this policy annually or as often as it considers it necessary;
- ii. The Board may change / revise this policy, if required by law, and as recommended by the Risk Management Committee, from time to time supported by an appropriate resolution.
- iii. If the terms of this policy differ from any existing or newly enacted laws, rules, regulations or standards governing the Company, the relevant / applicable laws, rules, regulations or standards will take precedence over these policies and procedures until such time this policy is changed / revised to conform to the laws, rules, regulations or standards.

**9. DISSEMINATION OF POLICY**

The Risk Management Policy shall be disclosed in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at [www.adorwelding.com](http://www.adorwelding.com)

**10. APPROVED & ADOPTED**

This policy was approved by the Board of Directors on Friday, 28<sup>th</sup> May, 2021.

For **ADOR WELDING LIMITED**

NINOTCHKA MALKANI NAGPAL  
**EXECUTIVE CHAIRMAN**

ADITYA T. MALKANI  
**MANAGING DIRECTOR**

**ADOR WELDING LIMITED**

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