



## **SVC Superchem Limited**

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## **RISK MANAGEMENT POLICY**

### **1. Introduction :**

This document lays down the framework of Risk Management at SVC Superchem Limited (hereinafter referred to as the '**Company**') and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

### **2. Importance of Risk Management**

A certain amount of risk taking is inevitable if the organization is to achieve its objectives. Effective management of risk helps to manage innovation and improve performance by contributing to:

- Increased certainty and fewer surprises,
- Better service delivery,
- More effective management of change,
- More efficient use of resources,

- Better management at all levels through improved decision making,
- Reduced waste and fraud, and better value for money,
- Innovation,
- Management of contingent and maintenance activities.

### 3. Requirement as per Companies Act, 2013

**Responsibility of the Board:** As per Section 134 (n) of the Act, The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

**Responsibility of the Audit Committee:** As per Section 177 (4)(vii) of the Act, the 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.

**Responsibility of the Independent Directors:** As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

### 4. Definitions

- (a) **Company:** Means SVC Superchem Limited
- (b) **Audit Committee:** Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement.
- (c) **Board of Directors / Board :** As per Section 2 of "The Companies Act, 2013", in relation to a Company, means the collective body of Directors of the Company.
- (d) **Risk:** Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

### 5. Risk Management Framework

#### A. Process

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction.

Effective risk management depends on risk management planning; early identification & analyses of risks; early implementation of corrective actions; continuous monitoring & reassessment; communication, documentation, and coordination.

## **B. Steps in Risk Management**

Risk management is a shared responsibility. The risk management process model includes the following key activities, performed on a continuous basis.

### **i. Risk identification**

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, information from competition, market data, government policies, 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 to be 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.

The likelihood of occurrence of risk is rated based on number of past incidences in the industry, previous year audit observations, government policies, information from competition, market data, future trends or research available.

Risk may be evaluated based on whether they are internal and external, controllable and non-controllable, inherent and residual.

### **iii. Risk Analysis**

Risk Analysis is to be conducted using a risk matrix for likelihood and impact, taking the existing controls into consideration. Risk events assessed as "high" or "very high" may go into risk mitigation planning and implementation; low and medium risk to be tracked and monitored on a watch list.

#### **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 needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

#### **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 register, 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 form part of consolidated risk register along with the business justification and their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

#### **C. Board's responsibility statement**

Board of Directors shall include 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.

The Board of Directors of the Company and Audit Committee shall periodically review and evaluate the risk management system of the Company, so that the Management controls the risks through risk management framework.

The Company has a control processes in place to help ensure that the information presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and interim review by the Company's external auditor;
- Planned review by internal auditors reviewing the effectiveness of internal processes, procedures and controls;

#### **D. Internal Audit (IA)**

The Audit Committee is responsible for approving the appointment of the internal auditor and approving the annual internal audit plan.

As per Section 138 (1) of the Companies Act, 2013, the Internal Auditor shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

The CFO in addition to their general and specific responsibilities is responsible for the co-operation necessary to assist the Internal Auditor in carrying out internal audit. Internal Audit function is independent of the external auditor and to ensure its independence, has direct access to the CFO and Audit Committee.

Any deviations from the Company's policies identified through internal audits are reported to responsible authorities for action and to the CFO & Audit Committee for information or further action.

**6. Review**

This policy shall evolve by review by the Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

**7. Amendment**

This policy can be modified at any time by the Board of Directors of the Company.