Ddev Plastiks Industries Limited

CIN: L24290WB2020PLC241791
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RISK MANAGEMENT POLICY

BACKGROUND

This document lays down the framework of Risk Management at Ddev Plastiks Industries Limited (hereinafter referred to as the 'Company' or 'DPIL') and defines the policy for the same. Risk management is an integral component of good corporate governance and fundamental in achieving the company's strategic and operational objective. It should be in spirit and not only in form. 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.

OBJECTIVE

The objective of Risk Management at Ddev Plastiks Industries Limited is to create and protect shareholder value by minimizing threats or losses and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee'sjob.

Strategic Objectives

1. Ensuring sustainable business growth with stability and promoting pro-active approach in reporting, evaluating and resolving risks associated with business.
2. Providing a framework that enables future activities to take place in a consistent and controlled manner
3. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats
4. Contributing towards more efficient use/ allocation of the resources within the organization
5. Protecting and enhancing assets and company image
6. Reducing volatility in various areas of the business
7. Optimizing operational efficiency
8. Compliance with relevant statutory provisions

REGULATORY REQUIREMENTS

Risk Management Policy is framed as per the following applicable extracted regulatory requirements:

***A.* COMPANIES ACT, 2013**

1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

(n) 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.

2. Section 177(4) stipulates:
Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

(vii) evaluation of internal financial controls and risk management systems.

3. SCHEDULE IV
[Section 149(8)]

CODE FOR INDEPENDENT DIRECTORS
II. Role and functions:
The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations specially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

(4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

***B.* SEBI (LISTING OBLIGATIONS AND DISCLSOURE REQUIREMENTS) REGULATIONS, 2015**

1. Regulation 4(2)(f)(ii)- Key functions of the Board
The board should fulfill certain key functions, including:

(1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.

(7) Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems forrisk management, financial and operational control, and compliance with the law and relevant standards.

2. Regulation 18 read with Part C of Schedule II-Role of Audit Committee
The role of the Audit Committee shall include the following:

11. Evaluation of internal financial controls and risk management systems;

3. Regulation 17(9)-Board of Directors

a. The listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

b. The Board of Directors shall be responsible for framing, implementing and monitoring the risk Management plan for the listed entity.

4. Regulation 21(4)- Risk Management Committee (Applicable to Top 1000 listed entities
The Board of Directors shall define the role and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.

5. Regulation 17(7) read with Part A of Schedule II- Minimum Information to be placed before Board of Directors
N. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

Ddev Plastiks Industries Limited being a listed company is required to adhere to the applicable provisions and regulations made, both, by the Companies Act, 2013 and SEBI (Listing Obligation Disclosure Requirement), Regulation, 2015 governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

APPLICABILITY
This Policy shall come into force with effect from date of being notified.

This policy shall complement the other policies of the Company in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated

DEFINITIONS
"Audit Committee" means such Committee of Board of Directors of the Company constituted underthe provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as "Listing 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.

"Risk Management Committee" or "committee" means such Committee of Board of Directors of the Company constituted underthe provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as "Listing Regulations 2015").

RISK MANAGEMENT COMMITTEE:

A. CONSTITUTION:
The Board of Directors shall constitute/ re-constitute and/or alter the constitution of Risk Management Committee in terms of applicable provisions of Companies Act, 2013 ("the Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The committee shall have minimum 3 members with majority of them being members of the Board of Directors, including at least 1 independent director. The Chairperson of the committees shall be a member of the board, however senior executives may be members therein.

B. MEETING AND QUORUM:
The committee shall meet atleast twice in a year such that on a continuous basis the gap between two meetings shall not be more than 180 days

The quorum for a meeting of risk management committee shall be either 2 members or 1/3rd of members of the committee, whichever is higher, including atleast 1 member of the board of directors in attendance.

C. TERMS OF REFERENCE
The terms of reference of the Risk Management Committee are as follows:
- review of strategic risks arising out of adverse business decisions and lack of responsiveness to changes;
- review of operational risks;
- review of financial and reporting risks;
- review of compliance risks;
- review or discuss the Company's risk philosophy and the quantum of risk, on a broad level that the Company, as an organization, is willing to accept in pursuit of stakeholder value;
- review the extent to which management has established effective enterprise risk management of the Company;
- inquiring about existing risk management processes and review the effectiveness of those processes in identifying, assessing and managing the Company's most significant enterprise-wide risk exposure.
- review the Company's portfolio of risk and consider it against it's risk appetite by reviewing integration of strategy and operational enterprise-wide risk exposure to ensure risk exposures are consistent with overall appetite of risk; and
- review periodically key risk indicators and management response thereto.

D. AUTHORITY
The committee shall have access to management and management information. The committee, at its sole authority, may seek the advise of outside experts or consultants where judged necessary. The committee shall have the power to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it is considered necessary.

E. ROLE OF THE RISK MANAGEMENT COMMITTEE
The role of the committee shall, inter alia, include the following:

(1) To formulate a detailed risk management policy which shall include:
(a) A framework for identification of internal and external risks specifically faced by the company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
(b) Measures for risk mitigation including systems and processes for internal control of identified risks.
(c) Business continuity plan.
(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
(3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
(4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
(5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
(6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

ROLE OF THE BOARD

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company;
- The Board shall ensure that the Standard Operating Procedures (SOPs) of all departments and verticals are prepared as per best global practices and are compliant with ESG parameters and are free from any business or legal risks;
- The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem appropriate;
- Ensure that the appropriate systems for risk management are in place;
- The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- Constitute any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

ROLE OF AUDIT COMMITTEE

The following shall serve as the Role and Responsibility of the Audit Committee authorized to evaluate the effectiveness of the Risk Management Framework:

-Review of the strategy for implementing risk management policy.
-To examine the organization structure relating to Risk management.
-Evaluate the efficacy of Risk Management Systems – Recording and Reporting.
-To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk ManagementPolicy and relevant regulatory guidelines.
-To define internal control measures to facilitate a smooth functioning of the risk management systems.
-Ensure periodic review of operations and contingency plans and reporting to Board in order to counterpossibilities of adverse factors having a bearing on the risk management systems.
-The Audit Committee of board of directors shall evaluate of the risk management systems.

BOARD PRINCIPLES AND RISK MANAGEMNT PROCESS

The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

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 Chairman and Managing Director (CMD) along with their considered views and recommendations for risk mitigation.

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

The following steps to be taken:

Risk identification:
To identify organization's exposure to uncertainty. Risk may be classified in the following:

i. Strategic
ii. Operational
iii. Financial
iv. Hazard

Risk Evaluation:

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used tomake decisions about the significance of risks and whether each specific risk to be accepted or treated.

Risk Estimation:
Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

Reporting:
1. Internal Reporting
a) Risk Management and Audit Committee
b) Board of Directors
c) Vertical Heads
d) Individuals

2. External Reporting
To communicate to the stakeholders on regular basis as part of Corporate Governance

Guidelines to deal with the risks:
Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOTanalysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules,Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

Development of Action Plan:
The Board has constituted Risk Management Committee and defined the Committee's role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of the Risk Management Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses Ddev Plastiks Industries Limited is engaged in or shall undertake.

Risk Management Committee shall critically examine the report of CMD and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

Board Approval:
The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the personnel for implementation. The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk

management to the Company’s executive team.

The guidelines shall include prescription on:

Risk Treatment:
Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for
a) Effective and efficient operations
b) Effective Internal Controls
c) Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

Risk Registers:
Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Risk Management Committee, and the Board.

Enterprise Risk Planning (ERP package) shall play a key role in timely availability of all data/reports requiredfor the Committee to develop the Action Plan as stated above.

The Board shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Risk Managemet Committee.

INTEGRATION OF RISK MANAGEMENT STRATEGY
DPIL’s risk management strategy is to be integrated with the overall business strategies of the organization andits mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company’s objectives.

CYBER ATTACK AND DATA LEAKAGE PREVENTION
Increasing concern for user data privacy, data leakage, and number of cyber-attacks are the reason for rising attention to the question of data security, which became more relevant in the recent years. The increasing number of devices connected to the Internet not only creates more data but also makes it more vulnerable and not very well protected. It is expected that security analytics costs will raise up. Thus, it is critical to keep up with latest trends in the field of data security.
Mitigation: Privacy and security of data are two of our biggest concerns. However, we have been continuously working in the direction of protecting data. We have adopted below approaches for data security and privacy:

Validation and filtration of end-point inputs: we use an authentic and legitimate end-point device. End-point devices are the entry point for authentic and valid data into the system.

Mandatory Access Control (MAC): in which the access of each user is constrained to a very limited set of tasks and time frame.

Digital signatures using asymmetric encryption: regular audits, and hash chaining are standard practices followed to secure the data. Monitor logs on a real-time basis to spot anomalies that identify any misuses and abnormality. Use data tagging and enforced time stamps to help in tracing unauthorized activity.

Encryption at all times – when data is in transit and at rest, database contents is encrypted; protecting data at rest, and additional protection for data in transit applied using SSL encryption to connect the client and server, ensuring that only trusted computers can access the encrypted data. Encryption is a crucial part of maintaining confidentiality and integrity of data. Encryption of data within the database, access control, masking sensitive data and stringent authorization policies, keeping security patches up to date. Deploying encryption on all data on a granular basis helps ensure that even if there is a system breach, the data itself remains protected.

PENALTIES
The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk

Management Framework in place and its disclosure.

Section 134(8) of the Companies Act, 2013 (dealing with disclosure by way of attachment to the Board Report): If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

There are other provisions of the Act as well as SEBI Act which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

REVIEW

This policy shall evolve by review by the Risk Management 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.