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*THE SANDUR MANGANESE & IRON ORES LIMITED*  
*Risk Management Policy*

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*28 June 2021*



## **RISK MANAGEMENT POLICY** **OF “THE SANDUR MANGANESE & IRON ORES LIMITED”**

‘Risks’ include threats and hazards that can jeopardise the success or hinder the performance of tasks. Risk Management comprises of plans and processes to identify risks, evaluate their impacts and steps to avoid, overcome and mitigate or reduce their impacts.

SMIORE has prioritized an approach of comprehensive risk management proportionate to the level of risk in the organization, aligned with and embedded into other corporate activities and dynamic to respond to changing circumstances. The Board at its 256<sup>th</sup> meeting held on 28 October 2005 prescribed a risk management and minimization procedure. Though statutorily, only top 100 Companies (based on market capitalization) were required to have a Risk Management Committee the Board constituted a Risk Management Committee on 28 May 2014. The RMC was reconstituted on 8 November 2014, 28 May 2016, 6 August 2016, 11 August 2018, 28 May 2019 and 5 March 2020. The composition of the RMC has always been in accordance with SEBI regulations.

### **1. PHILOSOPHY**

*SMIORE is constantly alert to risks and committed to proactively identify, assess and mitigate risks in order to protect its business, improve Corporate Governance and enhance stakeholders’ value.*

### **2. DEFINITIONS:**

- “Act” shall mean the Companies Act, 2013, including the Rules made thereunder, as amended from time to time.
- “Applicable Laws” shall mean the Companies Act, 2013 and the Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and such other applicable legislations, rules and regulations.
- “Listed Entity or Company or SMIORE” shall mean The Sandur Manganese & Iron Ores Limited.
- “Risk” is as an event, action or inaction that causes a probable threat to the achievement of the objectives of the company.
- “Impact” is the potential damage or loss likely to be caused by a risk. The

possible impacts may be subdivided into classes according to their severity.

- **“Likelihood”** is the chance of something happening, measured or determined quantitatively or qualitatively.
- **“Risk owner”** is a person with the accountability and authority to manage an identified risk. All the Functional Heads shall be risk owners with regard to their respective areas of operation and the unit heads shall be the risk owners of units.
- **“Board”** or **“Board of Directors”** shall mean Board of Directors of the Company.
- **“Policy or this Policy”** shall mean the Risk Management Policy.
- **“SEBI Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re- enactment(s) thereof for the time being in force.
- **“Stock Exchange”** shall mean a recognized Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (Regulation) Act, 1956.

### **3. REGULATORY FRAMEWORK:**

The key regulations relating to Risk Management are as under:

<b>REGULATION</b>	<b>REQUIREMENT</b>
The Companies Act, 2013 Section 134 (3) (n)	Directors’ report 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.
Section 177 (4)	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

SEBI (LODR) Regulations, 2015  Regulation 4 (2) (f) (ii) (7)	The Board of Directors shall ensure integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
Regulation 17 (9) (b)	The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
Regulation 18 (3)	The Audit Committee shall evaluate the internal financial controls and risk management systems;
Regulation 21	Constitution of Risk Management Committee of Board of Directors, its roles and responsibilities and frequency of meeting

#### **4. APPLICABILITY**

This Policy shall apply to all areas of the Company's operations and shall be effective from date of Board's approval i.e 28 June, 2021.

#### **5. OBJECTIVE AND PRINCIPLES OF RISK MANAGEMENT POLICY**

SMIORE recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. This policy aims to raise awareness of and proactively promote reporting, evaluating, resolving and mitigating risks so as to ensure sustainable business growth with stability. This policy establishes a structured and disciplined approach to risk management, in order to guide decisions and actions on risk related issues, based on the following operating principles:

- a) Make risk management a dynamic, iterative and responding function focused on value creation for the company,
- b) Risk management enhances value creation by dealing with uncertainties
- c) Establish communication and collaboration between board and management
- d) Embed risk mitigation in the organization's culture, without discouraging risk taking in furthering the business of the company
- e) Put in place risk management strategies, processes and approaches that:
  - cover every scope of the entire business
  - address the full spectrum of risks
  - focus on probability of and vulnerability to different risks,

- address adverse consequences and multiplier effects of a combination of several risks
- Make strategic decisions based upon risk-informed processes

## **6. COMPOSITION OF RISK MANAGEMENT COMMITTEE (RMC):**

In accordance with Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SMIORE continues its existing Risk Management Committee as constituted periodically, which fully complies with the said regulations. In case of any amendment or modification of the SEBI regulations, the RMC shall be re-constituted accordingly.

The RMC shall meet at least twice in a year. The quorum for a meeting of the RMC shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the Board of Directors in attendance.

The details of the RMC composition shall be hosted on the Company's website at [www.sandurgroup.com](http://www.sandurgroup.com).

## **7. GOVERNANCE AND RISK MANAGEMENT ARCHITECTURE:**

The following are the key roles and responsibilities of various entities regarding risk identification, assessment, mitigation and monitoring:

<b>LEVEL</b>	<b>KEY ROLES AND RESPONSIBILITIES</b>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Establish a risk mitigation culture and determine the risk appetite of the organization</li> <li>• Define the roles and responsibilities of the RMC and delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.</li> <li>• Approve the Risk Rating Criteria as detailed in para 8.4</li> <li>• Frame, implement and monitor the risk management plan and policies on the recommendation of RMC.</li> <li>• Ensure that appropriate systems for risk management are in place.</li> <li>• Continually monitor the management of strategic risks;</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Evaluate internal financial controls and risk management systems;</li> <li>• Review financial and reporting risks;</li> <li>• Review commodity price risk, foreign exchange risk and hedging activities</li> </ul>

<b>Risk Management Committee</b>	<ul style="list-style-type: none"> <li>• Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems</li> <li>• Review strategic risks arising out of adverse business decisions and lack of responsiveness to changes;</li> <li>• Review operational risks including cyber risks;</li> <li>• Review compliance risks;</li> <li>• Review the Company’s risk philosophy and assess the extent of risk, that the Company may accept in pursuit of stakeholder value;</li> <li>• Review the extent to which management has established effective enterprise risk management;</li> <li>• Review effectiveness of risk management processes ;</li> <li>• Review the Company’s portfolio of risk vis a vis its risk appetite to ensure that risk exposures are consistent with overall appetite for risk; and</li> <li>• Review key risk indicators and management response thereto.</li> <li>• Review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any),</li> </ul>
<b>Company Secretary/ Chief Risk Officer</b>	<ul style="list-style-type: none"> <li>• Monitor compliance with this policy;</li> <li>• Report to the RMC &amp; Board on compliance with this policy;</li> <li>• Develop, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating regular review Maintain the risk register.</li> </ul>
<b>Divisional Risk Management Committee (Coordination Committee)</b>	<ul style="list-style-type: none"> <li>• Identify risks</li> <li>• Execute directives from RMC</li> <li>• Implement risk mitigation plans for identified risks</li> <li>• Enhance awareness of risks within respective units, divisions and functions</li> <li>• Ensure risk documentation and monitor risk mitigation plans</li> <li>• Recommend training programs for staff with specific risk management responsibilities</li> <li>• Perform half yearly review of risk register</li> <li>• Assist risk owners to identify, analyze and mitigate risks</li> <li>• Escalate issues requiring policy approvals to RMC</li> </ul>
<b>Risk Coordinator</b>	<ul style="list-style-type: none"> <li>• Coordinate the risk management activities for respective division/function in accordance with the risk management policy and RMC directives</li> <li>• Coordinate between the Company Secretary and Risk Owners</li> </ul>

	<ul style="list-style-type: none"> <li>• Report to the Coordination Committee on risk management activities.</li> <li>• Ensure that the required documentation is maintained and the required sign offs have been obtained</li> </ul>
<b>Risk Owners</b>	<ul style="list-style-type: none"> <li>• Identify risks</li> <li>• Reassess risks on a periodic basis</li> <li>• Prepare risk register and document mitigation plan and risk profile for approval from Coordination Committee</li> <li>• Manage risk by implementing mitigation plans and report on risk management activities to the Coordination Committee through the Risk Coordinator</li> <li>• Escalate risks to Coordination Committee through the Risk Coordinator on a need basis</li> </ul>

## 8. RISK MANAGEMENT PROCESS:

The Risk Management process comprises of the following phases as hereunder:

### 8.1. Risk Identification

Risk identification consists of determining the risks that are likely to affect SMIORE and documenting their characteristics.

### 8.2. Risk Categorisation

This comprises of classifying risks under the following categories, based on their root causes:

- a) **Strategic Risks**, relating to the- Company's business model, industry trend, market, competition, technology, investment evaluation in new product, resources, political stability and related matters,
- b) **Financial Risks**, which include events that on materializing will create financial obligations on the Company or will impact the profitability of the Company such as change in interest rate, cost over-run consequent to delays in project. implementation, commodity pricing changes, cash flow constraints and so on. Financial risk relating to treasury, investment and hedging has to be read in conjunction with treasury and hedging policy of the Company.
- c) **Operations Risks**, which arise due to difficulty in meeting production targets, caused in turn by improper sales planning, non-availability of raw materials,

contractual obligations, improper equipment planning including non availability of spares on time, breakdown of machinery etc.

- d) **Environment Health & Safety Risks**, that arise due to non- compliance to safety standards of the Company which may result in loss of human life or property.
- e) **Compliance and Legal Risks** that arise due to violation of or non-compliance with statutory requirements, legislative amendments, judicial decisions, contractual disputes, public interest litigations, environmental regulations etc.
- f) **Reputational Risks**, which are events that on materializing will impact the reputation of the Company
- g) **Social Risk**, such as local obstructions, constraints in manpower or land availability etc.
- h) **CYBER Risks**, which are potential threats as a result of attacks on information systems
- i) **Technology Risk**, which are risks associated with technology absorption by the organisation

### 8.3.Risk Analysis and Prioritization:

The following scale shall be used to determine the level of risk:

Likelihood		Impact	
Level	Descriptors	Level	Descriptors
5	Almost Certain	5	Severe
4	Likely	4	Major
3	Possible	3	Moderate
2	Unlikely	2	Minor
1	Rare	1	Negligible

### 8.4.Risk Evaluation

Risks shall be rated on the basis of financial consequence (quantitative) and impact on operational effectiveness or reputation (qualitative).

Risk rating criteria shall be proposed by Chief Risk Officer to Risk Management Committee for further inputs. Approval to the same shall be given by Board of Directors.

Based on the combined score on impact and likelihood as detailed in Para 8.3, risks shall be classified into various Zones as hereunder:

- Red Zone or ‘High’ risks, that require immediate action (Average score of 10 and more)



- Yellow Zone or ‘Medium’ risks where the focus is to further enhance existing controls. (Average score including and between 4 and 9)
- Green Zone or ‘Low’ risks, which are considered to be under control. (Average score 3 or less than 3).

Impact / Likelihood	Severe (5)	Major (4)	Moderate (3)	Minor (2)	Negligible (1)
Almost Certain (5)	25	20	15	10	5
Likely (4)	20	16	12	8	4
Possible (3)	15	12	9	6	3
Unlikely (2)	10	8	6	4	2
Rare (1)	5	4	3	2	1

### 8.5. Response to and Mitigation of Risk:

Risk mitigation responses may include: -

- Accepting the risk level within established criteria;
- Transferring the risk to other parties viz. insurance;
- Avoiding the risk by hedging or adopting safer practices or policies; and
- Reducing the likelihood of occurrence and/or consequence of a risk event.

### 8.6. Risk Documentation and Reporting

All risks shall be documented in the Risk Register, which shall capture all risks, external and internal, its consequences, impact, risk scores and the mitigation plan in a systematic manner.

A risk review involves re-examination of all risks recorded in the risk register and the revalidation of risk profiles. The risk register shall be reviewed, assessed and updated on a periodic basis.

All risks related to fraud, corruption and anti-competition shall be reported promptly, independently of the amount and the probability of occurrence.

### 8.7. Training and awareness:

The Board of Directors shall ensure that:

- Emphasis is given to training on risk management and improvement of process controls.
- All staff understand the Company's approach to risk management.
- All staff understand the benefits of risk management in their respective areas and applies the risk management principles in day to day operations.

**9. DISCLOSURE:**

The Risk Management Policy shall be disclosed in the Annual Report and on the website of the Company i.e. at [www.sandurgroup.com](http://www.sandurgroup.com)

**10. REVIEW / AMENDMENT OF THE POLICY:**

The Board shall review this Policy at least once in two years. This policy, including definition and other provisions of the policy shall stand automatically amended in the event of any relevant regulatory amendments, clarifications etc. in the applicable laws, rules and regulations.

In case of any amendments, clarifications, circulars, notifications, etc., issued by the relevant authorities, not being consistent with the provisions of this policy, such amendments, clarifications, circulars, etc. shall prevail over the provisions of this policy.