

GUJARAT ALKALIES AND CHEMICALS LTD.



RISK MANAGEMENT POLICY

(Amended w.e.f. 1st July 2021)ⁱ

GUJARAT ALKALIES AND CHEMICALS LIMITED

Risk Management Policy

1. INTRODUCTION

As per the Regulation 17(9)(a)&(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures. The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Section 134(3)(n) of the Companies Act, 2013 ("Act") states that there shall be attached to statements (i.e. financial statements) laid before a company in general meeting, a report by its Board of Directors, which 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".

2. PURPOSE

The Risk Management Policy of Gujarat Alkalies and Chemicals Limited ("Company") outlines the risk management process being followed by the Company and set outs the responsibilities of the Board, Risk Management Committee, Internal Risk Management Committee, Senior Management and others within the Company in relation to risk management.

3. PROCESS AND PROCEDURE

The risk management process consists of the following main elements:

Identify	:	identify a risk and document the risks captured by the risk register owner.
Assess	:	the primary goal is to document the net effect of all identified risks, by assessing: <ul style="list-style-type: none">• Likelihood of risks;• Impact of each risk;• Proximity of risk; and• Prioritisation based on scales.
Plan	:	preparation of management responses to mitigate the risks.

Implement	:	risk responses are actioned.
Monitor and review	:	monitor and review the performance of the risk management system and changes to business initiatives.
Communicate	:	provide regular reports to Internal Risk Management Committee / Audit Committee / Risk Management Committee / Board at regular intervals.

The Audit Committee of Directors at its 105th Meeting held on 13th May, 2014, had formed an Internal Risk Management Committee comprising of Senior Management (Head of the Departments) of the Company. Managing Director is Chairman of the Internal Risk Management Committee. The Internal Risk Management Committee identified various risks as approved by the Audit Committee, which is enclosed herewith as **Annexure - I**.

Internal Risk Management Committee meets on quarterly basis to discuss and review the various risks and its mitigation plans ("Report") by the concerned departments. The Report defines the Owner of the Risk against the identified risk, level of risk (High, Moderate, Low), steps / measures taken / to be taken to mitigate/minimize the risk and level of risk after taking such actions. The said Report is submitted to the Audit Committee / Board for their review and discussion.

4. RISK MANAGEMENT COMMITTEE

Pursuant to the provisions of Regulation 21 of the Listing Regulations, the Board of Directors at its 353rd Meeting held on 11th February, 2016 constituted the Risk Management Committee of Directors comprising of members of the Board. CFO is an invitee to the Risk Management Committee of Directors. The Risk Management Committee of Directors shall review and monitor the various risks concerning the Company and its mitigation plan and such other functions as required under the Listing Regulations or other applicable laws, as amended from time to time.

The Company has voluntarily constituted a Risk Management Committee as it is not a part of top 100 listed companies by market capitalization at present. However, the constitution of Risk Management Committee would become mandatory for the Company after implementation of the amendments proposed in Regulation 21 of the Listing Regulations effective from 1st April, 2019. According to which, top 500 listed companies by market capitalization would be required to constitute a Risk Management Committee and GACL would be one of the top 500 listed entities by market capitalization.

The Risk Management Committee shall meet at least twice in a year in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

The quorum for the Risk Management Committee shall be either two members or one third of the members of the Committee, whichever is higher, including at least one independent director.

5. ROLE OF RISK MANAGEMENT COMMITTEE

The role of the Risk Management 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 (i.e. Environment, Social & Governance (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.

The Risk Management Committee has responsibility to review and report to the Board that:

- (a) the Committee has, at least once in two years, reviewed the risk management policy / framework to satisfy itself that all potential risks are identified;
- (b) risk management plan / processes have been designed properly and implemented effectively to manage the identified risks;
- (c) such risk management plan / processes are reviewed and monitored regularly;
- (d) proper remedial action is undertaken to redress areas of potential risk.

6. AMENDMENT IN LAW

Any subsequent amendment / modification in the Listing Regulations / Act in this regard shall automatically apply to this Policy. The same shall be added/amended/ modified from time to time by the Board of Directors of the Company with due procedure.

Risks identified at the meeting of Internal Risk Management Committee:

(A) PLANT (BARODA COMPLEX):

1. Availability of Power
2. Chlorine & Hydrogen - Storage and handling
3. Single source for Sodium Cyanide (no alternate vendor)
4. Vacancies of technical / skilled manpower
5. Availability of critical spare parts
6. Synergy of inter-connected plants
7. Pollution
8. Contamination of FGs (within factory)
9. Statutory compliances related to plant
10. Plant obsolete (wear and tear)

(B) MARKETING

1. Demand forecast
2. Volatility in pricing of some Products
3. Dealers
4. Export and Import of some goods and materials
5. Logistics
6. Credit Risks (receivables)
7. Over dependence on single product (caustic soda)
8. Compliances related to sale and marketing of products
9. Statutory compliances
10. Contamination of FGs (ex-factory)

(C) PROJECT

1. Cost (inflation, exchange fluctuation, delay)
2. Time
3. deliverables (outdated technology, failure to produce required output, environment and other market factors)

(D) PURCHASE

1. Limited vendors for certain raw materials
2. Limited vendor base
3. Inventory Management
4. Procurement of quality raw material at budgeted price and on timely manner
5. Import
6. Storage space limitation
7. availability of Salt, Rock Phosphate, Potassium Chloride

(E) FINANCE

1. Fixed Cost
2. Exchange risk on foreign currency borrowings
3. Commodity Risk and Hedging Activities *
4. Loss of revenue due to marketing risk
5. Costly procurement
6. Liquidity risk (receivables)
7. Increased cost of borrowings
8. High level of inventory (blockage of working capital)
9. Regulatory risks relating to tax, audit and governance compliances and changes in government policies relating thereto
10. Unbalanced borrowing programmes for funding future projects
11. Fraud
12. Treasury operations
13. Volatile insurance cost

(F) HR

1. Litigation risks related to manpower, contract labour etc
2. strikes, lockouts
3. Statutory Compliances
4. Change in Government Policies on labour reforms
5. Succession Planning
6. Management Bandwidth
7. Over / Under sizing of manpower
8. Deployment of project affected people

(G) IT *

1. SAP system Adaptation and its availability
2. Cyber Security Risks :
 - a. Anti Spamming
 - b. Anti Virus
 - c. Intrusion Detection and Prevention
 - d. Anti E-mail Spamming

* modified and approved by MD – on 05.01.2019

ⁱ The Policy was approved by the Board of Directors of the Company at its Meeting held on 2nd November 2018