

Morganite Crucible (India) Limited

Morgan Advanced Materials

Molten Metal Systems

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Aurangabad - 431 136,

Maharashtra, (India)

RISK

MANAGEMENT

POLICY

[Amended as on February 14, 2022]

- Adopted in 25-May-2014

'Risk Management Policy'

1. BACKGROUND

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'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 or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

2. LEGAL FRAMEWORK

This policy is drafted in accordance with the guidelines provided under the Charter of the Risk Management Committee of the Board of Directors, and pursuant to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015 as amended.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require 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 risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "**Risk Management Policy**" (this Policy) of the Company

3. **PURPOSE AND SCOPE OF THE POLICY**

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of this Policy are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- 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.

4. POLICY GUIDELINES & PRINCIPLES

These guidelines recognizes that the activities undertaken by organization with respect to the achievement of its strategies and business objectives are ultimately tied to decisions about the nature and level of risk it is prepared to take and the most effective means to manage and mitigate those risks.

This Risk Management Policy (RMP) provides procedures for risk management and internal control to be laid down for MCIL. The RMP framework which shall govern the related management policies and procedures shall be premised upon common understanding and application of following principles:

- The informed acceptance of risk is an essential element of good business strategy.
- Risk management is an effective means to enhance and protect the value of business over time.
- A common definition and understanding of risks is necessary, in order to better manage those risks and make more consistent and informed business decisions.
- The management of enterprise risk is an anticipatory, proactive process, to be embedded in corporate culture and a key part of strategic planning & operational management.
- All risks are to be identified, assessed, measured, managed, monitored and reported on in accordance with management policies and procedures.
- All business activities are to adhere to risk management practices which reflect effective internal controls that are appropriate for business. The principles on which this policy document is based and the guidelines set out herein shall be reviewed periodically to ensure that they remain appropriate, in light of changing circumstances and to ensure that such principles and policies are effectively implemented.

5. RISK FACTORS

The objectives of the Company are subject to both external and internal risks that enumerated below:-

- Strategic and Commercial Risks
- Health, Safety and Environment Risks
- Compliance and Control Risks
- Financial Risks

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The framework and related processes seek to maximise business outcomes by allowing the management to:

- Understand the risk environment and assess the overall potential exposure
- Determine risk mitigation strategies
- Allocate resources and actively manage those risks
- Monitor the effectiveness of risk management – across the value chain and all the way up to the Board

6. RESPONSIBILITY FOR RISK MANAGEMENT

The Company's Board of Directors has the responsibility for overseeing all risks associated with the activities of business, establish a strong internal control environment and risk framework that fulfills the expectations of stakeholders of business.

The Risk Committee provides an overall assessment of risks impacting the activities of the company and should meet at least twice in a year. The Risk Committee is responsible for the following activities:

- The Risk Committee would monitor on overall process of evaluation and assessment, progress of evaluation of control effectiveness, key control deficiencies observed and counter measures to address these. Monitoring would also include significant changes in assessment of key risks or new risks identified if any.
- Review and approve modifications to existing policies, procedures, and overall risk management framework Comprehensive review of this policy document on an annual basis.
- Composition of the Risk Management Committee as per the provisions of Companies Act, 2013 and SEBI LODR Regulations, 2015.

7. COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

The Board of Directors shall delegate the responsibility to ensure the effectiveness of internal controls to Senior Management in respective business, with the objective to evaluate whether they serve to ensure:

- i. The ability to carry on the business in an orderly and efficient manner.
- ii. An adequate exchange of information between business and its investors/customers
- iii. The integrity of decision making including the treatment of all investors/customers in a fair, honest and professional manner;
- iv. The safeguarding of both its own and investor/customers assets;
- v. The maintenance of proper records and the reliability of the contents of information used either within business or used for publication or distribution.
- vi. The compliance with all applicable laws and regulatory requirements.
- vii. That there is a regular and effective communication within business such that Senior Management is made aware in a timely fashion of the status of operations and financial position, including qualitative and quantitative risks posed to business, weaknesses detected, instances of non-compliance and adherence to defined business objective; and
- viii. That risk of suffering loss, financial or otherwise as a consequence of errors, frauds, defaults or changing market conditions is monitored and maintained at acceptable and appropriate levels.

8. **RISK MANAGEMENT PROCESS**

Risk management is continuous interplay of actions that permeate the company. It is effected by Board of Directors, senior management and other personnel. The risk management process of the company aims at providing reasonable assurance regarding achievement of company's objectives. In order to provide reasonable assurance, the Company's risk management process endeavors to help:

- Identify, assess and escalate new risks impacting the objectives of the Company,
- Define measures to respond to the new risks effectively, Monitor movement (if any) in existing risks,
- Monitor effectiveness of existing risk management measures, and
- Report risks and risk management measures to the Risk Management Committee

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9. REVIEW

This Policy shall be reviewed as and when its require and necessity to take immediate action to ensure it meets the requirements of statue and the needs of organization.

10. AMENDMENT

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