



## **RISK MANAGEMENT POLICY**

## **Introduction:**

Cybele Industries Limited is manufacturing of wires and cables for the past 35 years for Railway Signaling, Housing Cables. The industry is exposed to a plethora of risks from strategic, regulatory, alliance, operational and financial perspectives. The Company is committed to fostering an environment that enables proactive identification, management, monitoring and reporting of various risks that the Company may need to deal with. To minimize the adverse consequence of risks on business objectives, the company has framed this Risk Management Policy (RMP). The RMP provides a route map for risk management, bringing together policy and guidance from board of directors.

## **Regulatory context:**

Requirement as per SEBI (listing obligations and disclosure requirements) Regulations, 2015 ("listing regulations"):

Listing Regulations notified on July 08, 2016 read with SEBI notification dated May 05, 2021 effective from May 06, 2021, as amended from time to time, requires top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to constitute a Risk management committee. The Company ranks 719 based on the market capitalization as on March 31, 2021.

Regulation 17(9) of the listing Regulations requires the Company to lay down procedures about risk assessment and risk minimization.

Regulation 21 of the Listing Regulations requires the Risk Management Committee to formulate detailed risk management policy which shall include:

A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly related risks), information, cybersecurity risks or any other risk as may be determined by the committee. Measures for risk mitigation including systems and processes for internal control of identified risks.

## **Business continuity plan:**

Requirement as per companies act, 2013 ('the act'):

Responsibility of the Board: as per section 134 (3) of the act, requires the Board of directors of a Company, as part of the Board's Report, to furnish a statement indicating development and implementation of a risk management policy for the Company including identification there in 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) of the Act, 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 systems.

Responsibility of the independent directors: as per schedule iv of the act [Section 149 (8)]  
- code for independent directors, the independent directors shall (i) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct; (2) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

### **Objective of CIL's RMP**

The object of this policy is to provide a frame work to:

To ensure sustainable business growth with stability in accordance with the budgets /Plans approved by the board

To promote proactive approach in measuring, evaluating, reporting and resolving risks associated with the company's business.

To establish a framework for identification of internal and external risks specifically faced by the listed entity, in Particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as maybe determined by the committee.

To put in place risk mitigation including systems and processes for internal control of identified risks.

To guide in the formulation of business continuity plan.

### **Applicability of CIL s RMP**

This policy is applicable across all its plants and offices at various locations.

### **Risk Management Organization Structure:**

Risk Management Organization structure identifies key internal stake holders responsible for creating, implementing and sustaining the risk management initiative in the Company. The risk management organization structure leverages existing organizational structure in the group.

Risk management committee composition and its meetings

The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management committee shall be a member of the board of directors. the company secretary of the company shall act as the secretary to the committee.

The Risk Management Committee shall meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings. The Quorum for the meeting of the committee shall be a minimum of two members or one-third of the Members of the committee, whichever is higher, including at least one member of the board.

Roles of key stake holders

The roles and responsibilities of key stakeholders defined in the Risk Management function are summarized below:

<b>Stakeholder</b>	<b>Roles and responsibilities</b>
<b>Board of directors</b>	<p>Reviewing and approving risk management related policies, procedures and parameters that govern the management of the company;</p> <p>Reviewing the critical aspects of the Company's overall risk profile through the periodic review of high-level reports that address material risks and strategic implications; and</p> <p>Endorsing the risk management structure and authorizing roles and responsibilities for key stake holders.</p>
<b>Risk Management Committee,</b>	<p>To recommend the risk management policy to the board for its Approval Ensuring risk identification and assessment in the operation of the company's business;</p> <p>Identifying and implementing risk treatment plans and measures for residual risks;</p> <p>Recommend changes on risk parameters, as and when required, for approval of the board.</p>
<b>All functional heads and Senior Executives (risk owners)</b>	<p>Developing and assuming ownership of the risk management policy, framework and process. Implementing the framework, policy and process across the company, all plants and other corporate services;</p> <p>Establishing procedures and timelines for various risk management activities;</p> <p>Facilitating risk identification, evaluation, prioritization and consolidation;</p> <p>Providing input and feedback on proposed risk treatment plans and initiatives;</p> <p>Monitoring progress of implementation of risk treatment plans and strategies;</p> <p>Ensuring that risk reviews are carried out on a periodic basis in order to maintain continuity of the risk management process;</p> <p>Preparing and communicating risk reports with risk mitigation measures to relevant take holders.</p> <p>Promoting risk management culture through trainings, reporting and other internal communications;</p> <p>Developing the analytical systems and data management capabilities to support the risk management program;</p> <p>Monitoring external trends and factors that may have significant impact on the risk profile of the Group and communicating the information to all stakeholders with in the group;</p> <p>Timely escalation of challenges, Concerns or unforeseen developments per training to the risk.</p>

## **Risk management frame work:**

Risk management is a continuous process that is followed throughout the life of a Company. It is an organized methodology for continuously identifying and measuring the variations in different business and financial parameters;

developing options and strategies for managing such variations; selecting, and implementing appropriate risk management strategies; and tracking the implementation to ensure that targeted outcomes of all business parameters are within an acceptable range or there are sufficient options to take recourse to (e.g. Insurance claims, hedging, maintaining cash buffers, etc.)

For managing out of range variations.

Effective risk management depends on sound planning; early identification and analyses of risks;

continuous monitoring and assessment; timely implementation of corrective actions; and appropriate communication, documentation, and disclosures.

A framework for identification of internal and external risks faced by the Company, in particular, financial, operational, business, strategic, sectoral, sustainability (particularly, segregated risks), information, cyber security risks or any other risk as may be determined by the committee shall be prepared.

Risk management process involves Risk identification This involves continuous identification of events that may have negative impact on the company's ability to achieve goals. Risk identification is an ongoing activity. It shall be performed by each employee during the course of his work. Risk identification involves identifying potential sources/ root cause of risk events. The purpose of identifying potential root causes is to give direction to risk intervention measures. The fact that one risk might have multiple root causes also needs to be considered.

The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.

- External risks factors:
- Economic environment
- Political environment
- Competition
- Fluctuations in trading activities
- Changes in interest rates
- Changes in Government policies

Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.

- Customers not agreeing to absorb price hikes as actually incurred by will
- Inability to anticipate demands lump (e.g. inventory cycle).
- Not having sufficient orders to recover fixed costs (tools, dies, moulds, design costs, etc.)
- Currency fluctuation
- Disruption in supply chain (lack of containers, port congestion, etc.)

Internal control is exercised through policies and systems to ensure timely availability of information that facilitates proactive risk management.

### **Internal risks factors:**

- Cost over – run in projects
- Changes in revenue
- Contractual compliance
- Operational efficiency
- Hurdles in optimum use of resources

### **Quality assurance**

#### **» Environmental management**

Human resource management

#### **Culture and values:**

### **Sectoral risk :**

- The Sectoral risk refers to the influence of industry variables such as demand- supply outlook, input risk, input cost fluctuation, competition, utilization levels along with the impact of government regulations and policies on the company.

### **Strategic risk :**

- It refers to the internal and the external events that it may make it difficult or impossible for an organization to achieve their objectives and strategic goals. It includes technological changes, senior management turnover, a changing competitive land scape, Regulatory changes, changes in consumer demand, merger integration and esg risk.

### **Business risk:**

- It is the possibilities a Company will have lower than anticipated profits or experience a loss rather than taking a profit. Business risk is influenced by numerous factors like including sales volume, per unit price, input cost, competition, the over all economic climate & government regulations and natural calamity.

### **Operational risk:**

- This refers to risks that arise from employee errors, failed internal procedures of the company, and cyber- security errors. examples of these risks include manufacturing defects, labor unrest, injuries/ accidents at work place, and break-down of plant & equipment.

### **Financial risk:**

- The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. it also includes the risks associated with the investments of the company.

### **Foreign exchange risk:**

Foreign exchange risk refers to the losses that an international financial transaction may incur due to currency fluctuations.

Foreign exchange risk can also affect investors, who trade in international markets, and businesses engaged in the import/export of products or services to multiple countries, or have borrowings in foreign currencies.

Three types of foreign exchange risk are transaction, translation, and economic risk. Foreign exchange risk is a major risk to consider for exporters/importers and businesses that trade in international markets.

The objective of the risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability.

The company shall strive to cover foreseeable fluctuations with limited hedge cover so that the moderate arbitrage efficiency is achieved against the existing borrowing rates of interest.

**Legal risk:**

Legal risks are those that arise due to possible litigations and penalties involving, deviations in quality standards and claims relating to infringement of intellectual property rights, non-compliance of the regulatory provisions. The Company will take appropriate steps to carry out suitable due diligence, including legal compliance, with the support of suitable legal experts

wherever necessary. Further, the Company will maintain the highest standards of excellence in quality of service to stakeholders, with Adequate systems and procedures to ensure the continuity of the same. the company also has all the rights necessary to use the intellectual property employed in our business and adequate measures will be taken to ensure that there is no infringement of any kind. The company will put in place adequate measures towards management and mitigation of all such risks, including compliance with all applicable regulatory provisions

**Cyber-Security risk:**

Cyber security risk is determined by the like li hood of exposure, critical asset or sensitive information loss, or reputational harm stemming from a cyberattack or breach with in an organization's network.

Conducting risk assessments that evaluate business priorities and identify gaps in cyber security controls

**Performing risk analysis on existing control gaps:**

Prioritizing future cyber security investment based on risk analysis

Executing on those strategies by implementing a range of security controls and best practices

Measuring and scoring cyber security program maturity along the way.

**Sustainability related risk:**

Sustainability risk is defined as the exposure to practices that negatively impact the environment and the people involved in the supply chain. Climate change, water scarcity, disease, and poor labor conditions are some key factors that increase sustainability risk. ESG risks include those related to climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations.

**Risk assessment:**

Risk assessment is the process of risk prioritization or profiling. The risk like li hood and impact of risk events to be assessed for the purpose of analyzing the criticality.

Risk impact matrix—It is measured in terms of financial and non-financial parameters.

Risk likelihood Matrix — It is measured by probability of occurrence of risk events (number of past incidences in the industry, previous year audit observations, future trends or research available) and its impact

**Risk analysis:**

Risk analysis refers to the process followed to comprehend the nature of risk and determine the level of risk. Risk analysis is intended to provide inputs for risk evaluation. Risk analysis shall be performed for each risk identified. The onus of risk analysis is with the risk identifier, who may choose to consult with his functional head for this purpose. Based on the results of the analysis, appropriate action shall be taken (risk escalation and risk treatment).

**Risk evaluation:**

Risk evaluation is the process to determine whether the risk and/ or its magnitude are acceptable or tolerable. Risk evaluation helps to ensure appropriate resource allocation for the purpose of risk treatment and channeling of Management attention towards risks of significant concern.

**Risk treatment:**

Risk treatment involves selecting one or more options for managing risks, and implementing such action plans. This phase of this process is intended to:

Understand existing controls/mitigation mechanisms in place for managing risks

Generate a new risk treatment plan

**Assess the Effectiveness of Such Treatment Plans:**

For the purpose of risk treatment, risk owners may consider various options (as indicated Below) for risk treatment:

Avoiding the risk by deciding not to start or continue with the activity giving rise to such Risk.

Taking or increasing the risk in order to pursue an opportunity

**Removing the Risk Source:**

Changing the likelihood or consequences of risk by instituting new control/monitoring activities  
Sharing the risk with an other party or parties (eg., insurance, back to back warranties etc.)

**Retaining the Risk by informed Decision:**

Putting in place a mechanism to monitor the risk

After determining the risk severity level, the Risk Owners will be required to indicate steps that they will take to either contain or eliminate the risk, with or without, cost implications.

Only significant risks (or those that could become significant) need to be reported to the risk management Committee by the Risk Owners in consultation with Finance Department.

Significant risks include those risks that have a high likelihood or significant impact,

I.e. Having risk exposure or where there is limited ability for mitigation by the company.

The Risk Owner at every location will be expected to re-evaluate the risk profile of the location on a continuous basis, after considering the recommendations of the Finance Department and the Risk management committee.

**Risk monitoring & review mechanism**

Risk monitoring shall be conducted by each functional unit on a monthly basis, for identified risks, in order to track the status of treatment plans and consequently update changes to risk profiles.

Risk reviews shall be conducted to enable continuity of the risk management process. Risk reviews entail the re- assessment of all risks recorded in each function level risk registers along with new / emerging risks to ensure concurrence and relevance of risks and their treatment. Risk reviews will be carried out at a minimum on a half yearly basis.

**Risk reporting**

The Risk Owner of every location will report to the Finance Department on a monthly basis about the identified risks. The finance department will report the over all company status and proposed actions to the risk management committee on a yearly basis.

The board of directors of the company shall periodically review the finding sand recommendations of the risk management committee every six months.

**Business continuity plan:**

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood, pandemic or any other natural calamity. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

The Company shall have well documented business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Risk management committee.

**Disclosures:**

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 in its board report.

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as

**Amenities:**

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions here under and this Policy shall stand amended accordingly.

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