

PONDY OXIDES AND CHEMICALS LIMITED

RISK MANAGEMENT POLICY

1. PREFACE:

In accordance with Section 134(3)(n) of the Companies Act, 2013, a Company is required to 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 and further as per Regulation 17 of the SEBI (LODR) Regulations, the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Accordingly, to mitigate and manage risk at “Pondy Oxides and Chemicals Limited” (hereinafter referred to as the “Company”), the Company has formed this policy (the “Risk Management Policy”). This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent to the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. OBJECTIVE:

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 and to create and protect shareholders’ value by minimizing threats or losses, and identifying and maximizing opportunities. 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. These include:

1. Providing a framework, that enables future activities in a consistent and controlled manner;
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
3. Contributing towards more efficient use/ allocation of the resources within the organization;
4. Protecting and enhancing assets and company image;
5. Reducing volatility in various areas of the business;
6. Developing and supporting people and knowledge base of the organization;
7. Optimizing operational efficiency.

3. APPLICABILITY

This Policy applies to all areas of the Company’s operations.

4. KEY DEFINITIONS:

“Company” means “Pondy Oxides and Chemicals Limited”, a Company constituted under the provisions of Companies Act, 1956.

"Board of Directors" or **"Board"**, in relation to a company, means the collective body of the directors of Pondy Oxides and Chemicals Limited (the ‘Company’).

"Audit Committee or Committee" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations.

"Policy" means Risk Management Policy.

“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 systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

5. RISK FACTORS:

The below mentioned items of risk have been identified by the Company which in its opinion may threaten the existence of the Company. The Board has devised procedures for framing, implementing and monitoring the risks pertaining to the Company. The major risk factors include:

- Commodity Price Fluctuation Risk

The fluctuation on account of Commodity prices is an integral part of the company’s business. The Price of the Company’s finished goods are strongly influenced by global economic conditions as they are linked with the London Metal Exchange (LME). To minimise the risk, the Company follows the process of Hedging. The Company closely monitors the commodity markets to determine the effect of price fluctuations on earnings.

- Foreign Exchange Risk

The Company has developed a module for forex management to monitor, measure and hedge the foreign currency risk. The Company also uses Forward exchange contracts to hedge the effects of movement in exchange rate on foreign currency denominated assets and liabilities. The hedging mechanism is reviewed periodically to ensure that the Foreign Exchange risk is appropriately managed.

- Inflation and Cost structure:

Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the business, due to its inherent longer time-frame, has much higher risks for inflation and resultant increase in costs.

- Technology Obsolescence:

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

- Legal:

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

The other risks include

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources and preservation of Company assets
- Managing Competition
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

The Company has devised systems and procedures to ensure the management of risk in the above mentioned areas are mitigated properly.

6. RISK MANAGEMENT FRAMEWORK:

Before proceeding to the policy, attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

- The Board's role is to ensure framing, implementing and monitoring the risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased approach during the Board's deliberations on making risk management systems very strong and effective.
- The Audit Committee's role is to evaluate the risk management systems.

- 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 being effectively mitigated.

7. IDENTIFICATION AND RISK ANALYSIS:

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

8. COMPLIANCE AND CONTROL:

All the Senior Executives under the guidance of the Chairman and Board of Directors have the responsibility for over viewing the management's processes 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 Executives consider and assess the appropriateness and effectiveness of management information system and other systems of internal control, encompassing review of any external agency in this regard and action taken or proposed resulting from those reports.

9. REVIEW:

This Policy shall be reviewed every year to ensure it meets the requirements of legislation and the needs of the organization.

10. AMENDMENT:

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