THE INDIAN HUME PIPE COMPANY LIMITED

RISK MANAGEMENT POLICY

(Revised w.e.f. 13.11.2024)

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. OBJECTIVES

The Risk Management Policy of The Indian Hume pipe Company Limited ("Company") outlines the risk management process being followed by the Company and set outs the responsibilities of the Board, Risk Management Committee, Sub-Committee of Senior Management and others within the Company in relation to risk management.

Following are the objectives of Risk Management Committee :

To define a framework for identification, evaluation and mitigation of risk in the decision making process of the business of the Company;

To protect the Company from the likelihood of significant risk in the pursuit of the Company's business operations.

3. RISK MANAGEMENT FRAMEWORK

PROCESS

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions and mitigation of risks; continuous monitoring and reassessment; and communication, documentation, and coordination.

A framework for identification of internal and external risks faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee is presented below.

STEPS IN RISK MANAGEMENT

1. Risk Identification
2. Risk Assessment
3. Risk Analysis
4. Risk Treatment
5. Risk Mitigation
6. Risk - Control and Monitoring

1. RISK IDENTIFICATION

This involves continuous identification of events that may have negative impact on the Company’s ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of historical related data, internal audit reports, past occurrences of such events etc.

2. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

A. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms in Sub-committee meetings and Risk Management committee meetings.

External Risk factors

- Economic Environment
- Political Environment
- Competition
- Changes in interest rates
- Changes in government policies
- Broad market trends and other factors beyond the Company's control significantly reducing demand for its products, services and harming its business, financial condition and results of operations.

B. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

Internal Risks

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

3. RISK ANALYSIS

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as "high" or "very high" "medium" and "Low." Criticality may go into risk mitigation planning and implementation.

4. RISK TREATMENT – CONTROL AND MITIGATION

To ensure that the above risks are mitigated, the Company will strive to:

1. Involve the Functional Heads in the overall risk identification and mitigation exercise;
2. The Risk Management Committee shall have access to all information necessary to fulfil its responsibilities. It has the powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary;
3. The Risk Management Committee may in its judgment periodically commission risk management analysis of the Company;
4. Adequate disclosures pertaining to the risks (including commodity risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

5. CONTROL AND MONITORING MECHANISM

Risk management uses the output of a risk assessment and implements counter measures to reduce and mitigate the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to Risk Management Committee.

4. PROCEDURE

The risk management process consists of the following main elements:

Identify	:	identify and document the risks
Assess	:	the primary goal is to document the net effect of all identified risks, by assessing: • 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.
Communicate	:	provide regular reports to Risk Management Committee and Board at regular intervals.

SEBI vide Notification dated 5th May, 2021 had amended regulation 21 of SEBI (LODR), 2015 (Listing Regulations) relating to Risk management framework and specified revised roll of the Risk Management Committee. This amendment is applicable to top 1,000 listed companies. Prior to the amendment it was applicable to top 500 listed companies. The Company is covered in top 1,000 listed companies as of 31st March, 2021.

Risk Management Committee shall meet twice in a year to discuss and review the various risks and its mitigation plans by the concerned departments. It identifies the 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 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 Risk Management Committee shall meet at least twice in a year in such a manner that on a continuous basis not more than two hundred and ten 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 member of the Board of Directors in attendance.
To assist the Risk Management Committee a Sub Committee of Senior Management of the Company has been formed.

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.

6. RISK MANAGEMENT POLICY

The Risk Management Committee at their meeting held on 22nd March, 2022 has formulated Risk Management Policy of the Company as given in the enclosed Annexure - 1.

The Risk Management Policy was approved by the Board of Directors of the Company on 24th March, 2022 vide Circular Resolution No.19/2021-22 dated 23rd March, 2022. The Policy was revised by the Board of Directors at their meeting held 13th November, 2024.

7. 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.

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ANNEXURE – 1

RISK MANAGEMENT

Risks Assessment, Monitoring and Mitigation of Risk:

Internal Risks:

1. **Operation / Execution of projects (High Risk)**
   - Timely planning & execution of projects within the contract period
   - Identification of good quality labour contractors & ensuring labour compliances
   - Timely billing & collection of RA bills/ final bills.

2. **Procurement of Key Materials (High Risk):**
   - Timely planning, proactive approach to ensure no stock-out thereby ensuring there is no production or business loss.
   - Defective material supplied
   - Pipes delivered to site are damaged in transit
   - Import restrictions/ high Import duty on key materials

3. **Tendering & Contracting (High Risk):**
   - Tender estimation, over estimation could result in loss of order and under estimation would result in loss or inadequate profit.
   - Estimating future cost increase in firm value tenders. The Actual cost could be more than the cost estimate
   - Estimation of supply points for pipes and the cost from that source and judgment calls on competitors point of supply and the their relative cost
   - Variation in taxes not compensated in fixed price contracts
   - Site conditions deviating from estimates made while tendering
   - Execution quality not as per standards
   - Delay in execution of contract triggering liquidated damages
   - Timely obtaining time extension wherever necessary
   - Choice of biding contracts having escalation clause over the fixed cost tenders

4. **Business continuity plan (High Risk):**

   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 or any other acts of god. 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.

5. **Sectoral Risks (Moderate):**

The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, competition along with the impact of government regulations and policies on the Company.

6. **Sustainability (i.e. Environment, Social & Governance (ESG) related) (High/ Moderate Risk):**

ESG risks include those related to climate change, impacts, mitigation, adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance with applicable laws and regulations.

7. **Manufacturing Risks (Moderate Risk):**

- Product quality required to meet pressure standards
  a. Concrete strength
  b. Hydrostatic Test of Finished Pipes
- Quality of input materials used in manufacture
- Sand Metal combination used with cement
- Raw Material quality not as per standard
- Defective raw material used in production process
- Electricity consumption
- Injury to the workmen during manufacturing process
- Productivity failing below required level to ensure completion of supply as per timelines agreed with the customer
- Damage to the plant and equipment from Fire, Natural Calamities and other causes.
- Damage to Finished goods inventory or while in transit

8. **Marketing Risks (Moderate Risk):**

- Loss of Business opportunities due to missing out on tenders
- Not qualifying for a tender due to specifications or requirements
- Lack of adequate projects for tendering

9. **Personnel Risks (Moderate Risk):**

- Employee found wanting in character or integrity

- Employee staking claims in excess of entitlement
- Employee accident resulting in a claim on the company
- Misappropriation of company property/ funds
- Errors in claims, returns filed, compliance with statutory requirements etc.
- Non - compliance with prescribed systems of the Company
- Attrition and consequences. Mainly knowledge about processes not transmitted

10. Legal and Secretarial Risks (Moderate Risk):

- Companies Act
- Applicable SEBI Regulations
- Listing Agreement with Stock Exchanges
- Labour Laws
- Commercial contracts, damages & civil liabilities

11. Financial Risks (Moderate Risk):

- Commodity Prices
- Interest Rate impacting borrowings and investments Risk
- Equity Risk
- Fiscal Incentives
- Credit Risk
- Payment and obligation when due

12. Cyber Security Risk (Moderate Risk) :

ERP system adaptation and its adequacy

- Being hoisted in AWS Cloud to assure of availability of Application as and when required. The server is secured and easily scalable being on cloud.
- Access of ERP is allowed only for employees (with userid / password) by connecting through VPN. Access not possible from outside the organization.
- Database and application backups are taken on regular basis, which assures business continuity (by restoring them on the lates snapshot), in case of any breakage or stoppage of service.
- Deployment of new features by enhancements or updates are done after thorough testing of setup in test environment and this process have a roll back policy, if needed.
- Source code and schema are managed by Head of the Development Team promising

no sharing of any program / report files to anybody. Database access is restricted to development team only.

- In case of any on demand modification / alteration of records, proper approvals are taken from respective user department and logs are maintained.
- Since the development tools, Framework and Server platform used for maintaining and running the ERP is old, migration test to latest platform is under process.

Cyber Security Risks:

- End point security software / Windows security system ensures the PCs and Laptops are protected from unwanted access, virus and malware infections, guarding accounts, application and browser control and device security. Log files are monitored frequently for needful action.
- Main offices are installed with SonicWALL Unified Threat Management (UTM) solutions as Gateway, VPN and protecting office LAN from intrusion and virus attacks. These are configured with policies, set to manage bandwidth, prevention of unwanted / obscene browsing.
- Company is using MS 365 cloud-based email system, which have updated built-in capability of detecting and preventing spam, phishing, virus / malware contents with industry standard security aspect. This helps to monitor the mails effectively to update the filtering policies for preventing any recurrence.
- Wi-Fi access points are managed through passwords and mac-binding.
- Users are educated with periodical updates on dos and don’ts when connected to internet.

13. Internal Audits (Moderate Risk):

Internal Audit is carried out on a quarterly basis by an independent audit firm appointed by the Board. The scope of this Internal Audit covers all key functions including HR, Operations, Credit, Administration, Finance and Accounts. The firm also audits the company’s adherence to all Statutory and Regulatory Guidelines. The scope of these audits are reviewed periodically and modified to keep pace with a dynamic business environment. All significant audit observations of Internal Audits and follow up actions are presented to the Board and Audit Committee.

14. Internal Control Systems and its adequacy (Moderate Risk):

The Company has an Internal Audit Department headed by General Manager, Internal Audit. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, the Management undertakes corrective action in their respective areas and thereby strengthen the controls.

15. Insurance Risk (Moderate Risk):

The Company recognizes the importance of insurance and has adequately insured its assets and properties including immoveable properties, office equipment. Further the Company has taken Directors & Officers liability insurance coverage and Group mediclaim and Accident policies for its Employees other than the workers.

External Risks:

1. **Economic & Political, Environment Risks etc. (Moderate Risk):**
2. **Competition and new inventions (Moderate Risk):**
3. **Changes in government policies (Moderate Risk):**

Probability that political decisions, government policies, events or conditions, competition and new inventions from other market players may significantly affect the profitability of a business or the expected value of a given business decision.

Further, broad market trends and other factors beyond the control of the Company may significantly reduce demand for its products, services and thereby adversely affect its business, financial condition and operations.

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