



**RISK MANAGEMENT POLICY**  
**OF**  
**APOLLO PIPES LIMITED**  
**(FORMERLY “AMULYA LEASING AND FINANCE LIMITED”)**



## **BACKGROUND**

As per the Dictionary meaning, the term “risk” is defined as a chance or possibility of danger, loss, injury or other adverse consequences.

As per the Companies Act, 2013, there are specific requirements that a company needs to be complied with. This document lays down the framework of Risk Management at Apollo Pipes Limited. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks

## **OBJECTIVE**

Through Risk management Plan threats are identified and then managed that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats. Particularly Risk Management aims at creating stakeholder’s value

## **PROVISIONS UNDER VARIOUS STATUTES**

Section 134(3) of the Companies Act, 2013 requires:

- a statement to be included in the report of the board of directors (“Board”) of Central Depository Services (India) Limited (“CDSL” or the “Company”), 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.

Furthermore, Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”), requires that:

- the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the Corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009.

## **ROLES AND FUNCTIONS OF VARIOUS AUTHORITIES**

### **1. INDEPENDENT DIRECTORS**

As per Sub- section (8) of Section 149 the roles and functions of the independent directors shall:

- 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;



- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

## **2. AUDIT COMMITTEE**

As per Sub- section (4) of Section 177, 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.

## **RISK MANAGEMENT**

The risk management process involves reviewing of operations, identifying the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action.

i). The Board, its Audit Committee and its executive management should collectively identify the risks impacting the company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.

ii). The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen once every six months by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the company.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organization.

## **STEPS TOWARDS RISK MANAGEMENT**

- 1) Risk Governance
- 2) Risk Identification
- 3) Risk Description
- 4) Risk Assessment
- 5) Risk Evaluation
- 6) Risk Estimation
- 7) Reporting
- 8) Board approval
- 9) Review of the Policy

## **1. RISK GOVERNANCE**

The Functional Heads of various Departments of the Company are responsible towards identifying and managing risks and implementing risk mitigation measures.



## **2. RISK IDENTIFICATION**

All the factors whether internal or external which can affect the business operations adversely should be identified well in advance so that they can be managed. For the purpose of identification risk may be classified in the following:

- i. Strategic
- ii. Operational
- iii. Financial
- iv. Hazard

## **3. RISK DESCRIPTION**

The risks identified must be displayed in a structured form:

- Name of Risk
- Scope of Risk Qualitative description of events with size, type, number etc.
- Nature of Risk Strategic, Operational, Financial, Hazard
- Quantification of Risk Significance & Probability
- Risk Tolerance/ Appetite Loss Potential & Financial Impact of Risk
- Risk Treatment & Control Mechanism
  - a) Primary Means
  - b) Level of Confidence
- Potential Action for Improvement Recommendations to Reduce Risk

## **4. RISK ASSESSMENT**

The assessment of risks of the Company are subject to both external and internal risks, risks control, Capability development that are enumerated below:-

1. 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 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



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

- Internal Risk Factors

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

Other Examples of identified risks are as follows:

- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Its products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
- Its risk management methods and insurance policies not being effective or adequate
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

## **5. RISK EVALUATION**

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

## **6. RISK ESTIMATION**

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences. Impact level on performance/profit – Both Threats and Opportunities.

## **7. REPORTING**

### 1. Internal Reporting

- a) Audit Committee
- b) Independent Directors
- c) Board of Directors
- d) Vertical Heads
- e) Individuals



## 2. External Reporting

To communicate to the stakeholders on regular basis as part of Corporate Governance

## 8. **BOARD APPROVAL**

The Action Plan and guidelines shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

- **Risk Treatment**

Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for-

- a) Effective and efficient operations
- b) Effective Internal Controls
- c) Compliance with laws & regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

- **Risk Registers**

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Audit Committee and the Board.

## 9. **MONITORING AND REVIEW**

This policy shall evolve by review by the Audit Committee, independent Director and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

This Policy may be amended or substituted by the Audit Committee or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy. However, no such amendment or modification will be binding on the Directors and employees unless the same is communicated in the manner described as above.

**\* This policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on 30.03.2019**