



# TAMIL NADU CEMENTS CORPORATION LIMITED

(A GOVERNMENT OF TAMIL NADU UNDERTAKING)  
5<sup>th</sup> Floor, Aavin Illam, No.3A, Pasumpon Muthuramalingam Salai,  
Nandanam, Chennai - 600 035.

CIN:U40200TN1976SGC007081 | GST IN: | GST IN:33AABCT1819J1ZH

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## RISK MANAGEMENT POLICY

### 1. INTRODUCTION

- **Risk**

Dictionary .com defines risk as “the *chance of injury damage or loss; a hazard; dangerous chance. ISO 31000 defines risk as "effect of uncertainty on objectives"*

- **Risk Management**

ISO 31000 defines risk management as *coordinated activities to direct and control and organization with regard to risk*”. Risk management is a systematic and logical process, during which organizations manage risk by identifying it, analysing and then evaluating whether risk should be modified by risk treatment in order to satisfy their risk criteria.

- **Importance of Risk Management**

All organizations be it large or small are exposed various risks in conducting their business which may impact their profitability and thereby very survival of the organization. Hence, it is very essential for every organization to proactively identify and initiate mitigation plans to minimize the impact of threats posed by the risks. The risk management process aids decision making by taking account of uncertainty and the possibility of future events or circumstances (intended or unintended) and their effects on agreed objectives. Effective management of risks helps to improve performance contributing to:

- Increased certainty and fewer surprises
- Better management at all levels through decision making
- More efficient use of resources
- Reduced waste and fraud
- Better product and service delivery
- Better management of contingent activities

### **Requirement of Companies Act, 2013**

**Responsibility of the Board :** As per Section 134 (n) of the Act, The board of directors report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company.



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**Responsibility of Audit Committee** : As per Section 177 (4)(vii) of the Act, the 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

## 2. GOALS OF TANCEM RISK MANAGEMENT SYSTEM

- The key to a truly effective risk management system rests in a focus on early identification and Prevention of factors that place individuals at risk. The goals of the TANCEM risk management system, therefore, are the following:

### **Purpose/Goals**

- i.** To ensure protection of shareholder value through establishment of an integrated Risk Management framework for identifying, assessing, mitigating, monitoring, evaluating and repowering all risks.
- ii.** To provide clear and strong basis of informed decision making at all levels of organization.
- iii.** Build and improve capabilities to respond effectively to low probability, critical, catastrophic risks.

## 3. PRINCIPLES OF RISK MANAGEMENT SYSTEM

While Identification, assessing and treating the risks, TANCEM shall adhere to following ISO 31000 principles of risk management

- **Risk management is an integral part of all organization procedure:**  
Risk management is not a stand-alone activity. It is part of the responsibilities of management and an integral part of all organizational processes, including strategic planning and all project and change management processes.
- **Risk management is structured and comprehensive:**  
A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable risk management outcomes and desirable.



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- **Risk management is Customized :**  
Risk management is aligned with the organization's external and internal context and risk profile.
- **Risk management is transparent and inclusive :**  
Appropriate and timely involvement of stakeholders and in particular, decision makers at all levels of the organization, ensures that risk management remains relevant and up-to -date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.
- **Risk management is dynamic:**  
A risk management Programme should help the organization anticipate, identify, acknowledge and respond to changes in changes in appropriate timely way.
- **Risk management is based on the best available information:**  
The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgment. However, decision makers should inform themselves of and should take into account, any limitations of the data of the data or modelling used or the possibility of divergence among experts.
- **Risk management considers human and cultural factors into account:**  
Risk management recognize the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organization's objectives.
- **Risk management practices continual improvement of the organization:**  
Organizations should develop and implement strategies to improve their risk management maturity alongside all other aspects of their organization.



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## 4. RISK MANAGEMENT IN TANCEM

TANCEM recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company strongly believes that which some of the risks can be eliminated altogether many of the Risks cannot be eliminated; However, the same can be:

- **Reduced**, by having strong internal controls;
- **Transferred to another party**, who is willing to take risk, say by buying and insurance policy or entering into a forward contract;
- **Avoided**, by not entering into risky businesses;
- **Shared**, by following a middle path between retaining and transferring risk and
- **Accepted/retained**, either to avoid the cost of trying to reduce risk or in anticipation of higher profit by taking on more risk.

### **Risk Strategy**

In order to support the goal of taking a board pro-active approach to identifying risk. TANCEM and its management recognize that risk management is an on-going and integral part of their day-to-day functions.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative.

As a matter of policy, risks are assessed and steps as appropriate are taken to mitigate the same

The Key risk management

- i.** Risk identification
- ii.** Risk Classification
- iii.** Assessment of identified risk
- iv.** Risk Measurement
- v.** Risk Mitigation process would include
- vi.** Monitoring risk mitigation efforts
- vii.** Risk reporting and disclosures
- viii.** Integration with strategy and business plan



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## • Risk Management Committees

As per Regulation 21 of SEBI (LODR) Regulations, 2015 the BoDs shall constitute the Committee with majority of members being Directors with at least one Independent Director and Chairperson shall be a member of BoD and senior executives of listed entity may be members of the committee

Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

### The Objectives of the Company can be classified into:

S.no	Risk Category	Risk Areas
1	Strategic Risks	<ul style="list-style-type: none"> <li>• Business Risks</li> <li>• Competition Risks</li> <li>• Business Contingency/Continuity Risks including natural disasters</li> <li>• Reputation Risks</li> <li>• Sustainability Risks</li> <li>• Political Risks</li> </ul>
2	Operational Risks	<ul style="list-style-type: none"> <li>• Quality Risks</li> <li>• Cost Risks</li> <li>• Raw Material Risks</li> <li>• Internal Control Risks</li> <li>• Talent Attrition Risks</li> <li>• Technology Risks</li> </ul>
3	Reporting Risks	<ul style="list-style-type: none"> <li>• Financial Risk including liquidity, credit risk</li> <li>• Realization Risks</li> </ul>
4	Compliance Risks	<ul style="list-style-type: none"> <li>• Legal Risks</li> <li>• Health, Safety and Environmental Risks</li> </ul>
5	IT Risks	<ul style="list-style-type: none"> <li>• Technological Risks including hardware and software failure. human error, spam, viruses and malicious attacks</li> <li>• Cyber Security Risks such as ransom ware, phishing, data leakage, hacking, insider threats</li> </ul>



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The Risk Management Committee is formed vide Board Resolution No.38 in the 305<sup>th</sup> Board Meeting held on 27.06.2022 with the following persons:

<b>Risk Management Committee</b>	
<b>Chairman</b>	Chairman and Managing Director/ Managing Director
<b>Member</b>	Director representing Finance Department
<b>Member from Board (Independent Directors)</b>	Dr. G. Natarajan
<b>Senior Management of the Company</b>	Invitees to the Risk Management Committee

The Risk Management Committee in line with prevailing regulatory requirements with the following member:

<b>S.no</b>	<b>Name of the Department</b>	<b>Designation</b>
1.	Finance Department	Department Head
2.	Technical Department	Department Head
3.	Materials Department	Department Head
4.	P &A Department	Department Head
5.	Marketing Department	Department Head
6.	EDP/ IT Department	Department Head
7.	Alangulam Cement Works	Department Head
8.	Ariyalur Cement Works	Department Head
9.	Stoneware Pipe Factory	Department Head
10.	TNA Sheet	Department Head

The Committee will be assisted by Chief Risk Officer and will be nominated by the RMC from time to time. The senior management of the company will be the invitees to the Risk Management Committee.



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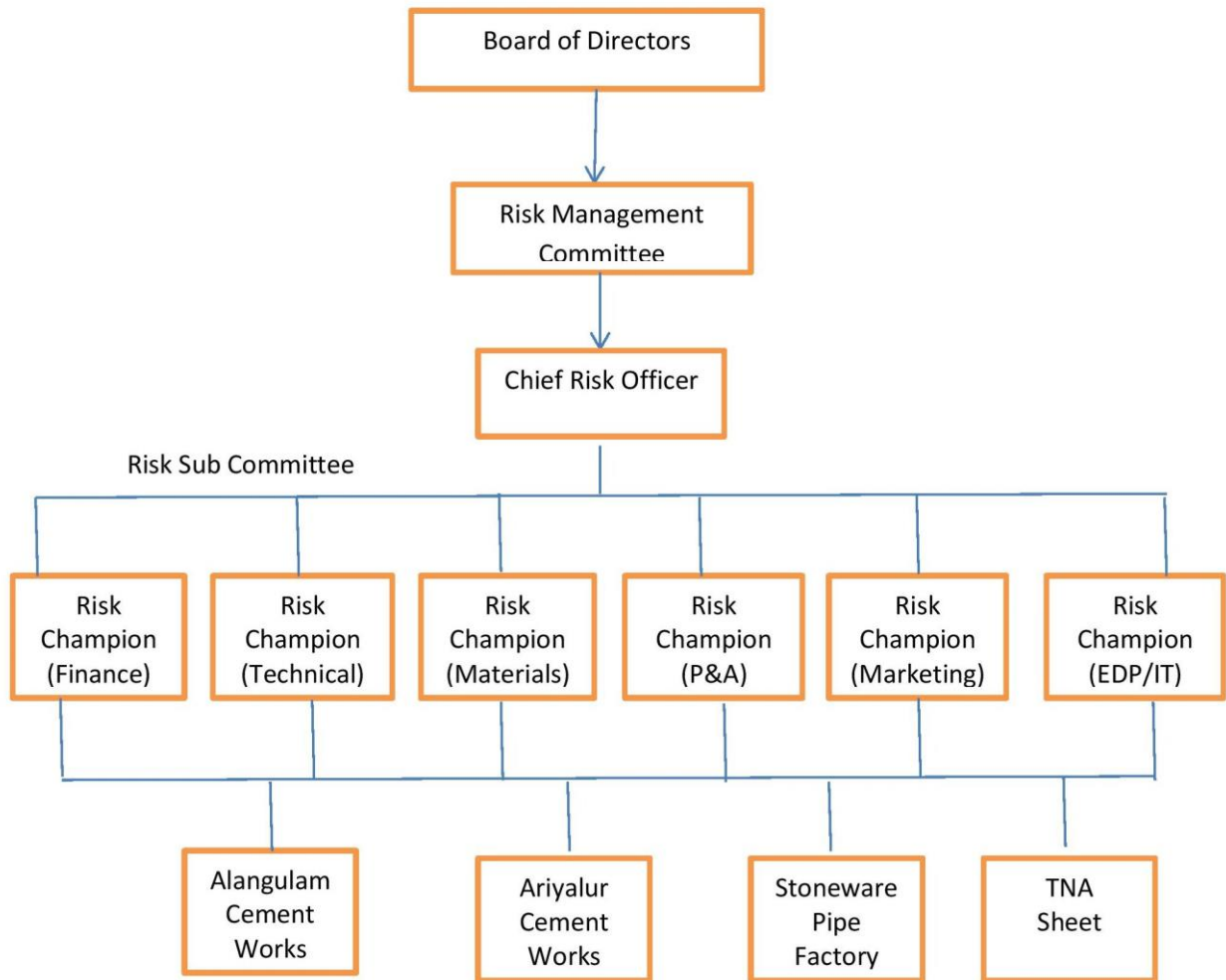
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## • Risk Management Organization Structure





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	<b>CONSTITUTION</b>	<b>ROLES &amp; RESPONSIBILITIES</b>	<b>ACCOUNTABLE TO</b>
Risk Management Committee (RMC)	<ul style="list-style-type: none"> <li>Constituted with approval of Board</li> <li>Chairman of RMC is nominated by Board</li> <li>Independent directors nominated by Board</li> </ul>	<ul style="list-style-type: none"> <li>To frame and implement and monitor the Risk Management Plan for the Company</li> <li>To ensure that the Risk Management Policy is being followed and effectively contributing to early identification of risks and proper mitigation process</li> <li>Will review and approve list of risk identified, risk treatment and control mechanism</li> </ul>	Board of Directors
Chief Risk Officer (CRO)	<ul style="list-style-type: none"> <li>CRO shall be nominated by the Board</li> <li>CRO shall be assisted by the Risk Sub committees</li> </ul>	<ul style="list-style-type: none"> <li>To coordinate meeting of RMC at least once in six months.</li> <li>To monitor the mitigation plan for the risks identified in the consolidated register and place it for review of Risk Management Committee in the meeting.</li> <li>To circulate Agenda for the RMC meeting</li> <li>To attend all RMC meetings</li> <li>To maintain, minutes of all RMC meetings</li> <li>All Key risks identified shall be documented in the</li> </ul>	Risk Management Committee (RMC)





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		Consolidated Risks Register maintained by Chief Risks Officer <ul style="list-style-type: none"> <li>To propose periods updated in risk management policy</li> </ul>	
Risk Sub Committee (RSC)	<ul style="list-style-type: none"> <li>Shall be formed at each location of operations viz. Registered Office (Chennai), Ariyalur and Alangulam Unit shall comprise of Risk champions and Risk Owners.</li> </ul>	<ul style="list-style-type: none"> <li>It will evaluate the risk and mitigation plan recommended by Risk Owners.</li> <li>RSC to hold its meeting at least once every month</li> </ul>	Risk Management Committee
Risk Champion (RC) / Risk Owners	<ul style="list-style-type: none"> <li>Respective Unit Heads/Functional Heads will be Risk Champion for RSC(S)</li> <li>Respective functional head under Unit head will be Risk Owner in reporting relevant areas.</li> <li>Registered Office – Administration head will be changed and respective functional head will be risk owner.</li> </ul>	<ul style="list-style-type: none"> <li>The Risk Owner will be responsible for identification and mitigation of risk of their respective areas.</li> <li>Identify future risk, evaluate the criticality of the risk and formulate the steps of mitigation.</li> <li>To maintain and update register of their concerned areas, and communicate to RC.</li> </ul>	Risk Management Committee



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## Committee responsibility and authority

- The Risk Management Committee shall periodically assess risks to the effective execution of business strategy and review key leading indicator in this regard.
- The Risk Management committee shall formulate, monitor implementation of Risk management policy. The policy shall be subject to review at least once in every two years.
- The Risk Management Committee shall annually review and approve the Enterprise Risk Management Framework of the Company drafted under the Risk Management Policy. The Risk Management Committee shall periodically review the risk management, framework, processes and practices of the company and ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- The Risk Management Committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning & testing).
- The Risk Management Committee will coordinate its activities with the Audit Committee in instances where is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice).
- The Risk Management Committee may form delegate authority to subcommittees when appropriate.
- The Risk Management Committee shall make regular reports to the Board, including with respect to risk management and minimization procedures along with its recommendations of the Board.
- The Risk Management Committee shall review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
- The Board may review the performance of the Risk Management Committee periodically.
- The Risk Management Committee shall have access to any internal information necessary to fulfil its oversight role. The Risk Management Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
- The role and responsibilities of the Risk Management Committee shall include such other items as may be prescribed by applicable law or the Board in compliance with applicable law, from time to time.



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## CONCLUSION:

The Company's risk management system is always evolving. It is an ongoing process and it is recognized that the level and extend of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstance

Sd/-(C.KAMARAJ, I.A.S)  
MANAGING DIRECTOR

/TRUE COPY/

A.ARJUNAN  
CHIEF FINANCIAL OFFICER