HEG Graphite Limited

RISK MANAGEMENT POLICY

MISSION

The objective of risk management at HEG is to create and protect shareholder value by minimising threats or losses, and identifying and maximising opportunities. An enterprise-wide risk management framework is applied so that effective management of risk is an integral part of every employee's job.

POLICY

Risk Management Strategy

HEG's risk management strategy is integrated with the overall business strategies of the organization and is communicated throughout the organization. Risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the company's objectives.

The annual strategic planning process provides the platform for identification, analysis, treatment and documentation of key risks. It is through this annual planning process that key risks and risk management strategies are communicated to the Board.

Roles and Responsibilities

The Board approves the Risk Management oversight structure and risk management policy guidelines and delegates authority and accountability for risk management to the company's executive team. The Board periodically reviews the major risks identified by this team and their recommendations for dealing with and/or mitigating these risks.

The Board/ Audit Committee is responsible for reviewing the effectiveness of the Risk Management approach.

Other committees are established as required to ensure key risks are managed efficiently and effectively.

The roles and responsibilities of the Risk Management Committee shall inter-alia, include the followings-
(a) To formulate a detailed risk management policy which shall include:

(i) 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 may be determined by the Committee.

(ii) Measures for risk mitigation including systems and processes for internal control of identified risks.
(iii) Business continuity and crisis management plan.

(b) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.

(c) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(d) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity and recommend any proposed changes to the board for approval;

(e) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken including but not limited to risk profile of the Company and its mitigating process, system of risk oversight, management and internal control which identifies, assesses, manages and monitors risk;

(f) To appoint , remove and approve terms of remuneration of the Chief Risk Officer, if .

(g) To coordinate its activities with other Committees, in instances where there is any overlap with activities of such committees.

(h) To perform such other functions as may be prescribed by the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended or under any other law or as may be prescribed by the Board from time to time.

The Risk Management Committee shall have 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.

Management

The Managing Director (MD) The MD has ultimate ownership responsibility for risk management by ensuring all components of risk management are in place. This is achieved by providing leadership and direction to senior managers and meeting periodically with them to review how risks are being managed.

Senior Managers are responsible for converting strategy into operation, identifying, assessing and treating risks within the policy guidelines approved by the Board.

The Risk Management Coordinator provides support and facilitation to line managers in the risk management process and promotes risk management competence throughout the organization. Continuous improvement in the area of risk management is also a responsibility of the risk management coordinator.

Other Personnel All employees are responsible in some form for risk management and especially play a significant role in communicating upwards any problems in operations, non-compliance with codes of conduct or policy violations.

HEG is of the view that not all aspects of risk management can be formalised and therefore places reliance on the skill, experience and judgment of its people to make risk managed decisions within policy guidelines.

Employee development plans are prepared annually. These outline training and development along with appropriate remuneration and incentives to ensure all employee actions are aligned to the attainment of corporate goals. Performance appraisals are conducted annually for all staff.

Risk Management processes

Risk Identification, assessment, and response
Key risks are identified and analysed during the planning phases of any project or business cycle. This ensures that prior to committing resources, risk mitigation strategies have been identified and residual risk has been deemed acceptable. This process includes scenario planning with respect to risks that are identified to have a potential material impact on revenue. The latest Risk Library has been approved by the Board is attached as Annexure 'A'.

Monitoring & Reporting
The effectiveness of risk management strategies is monitored both formally and informally by management and process owners. The design and frequency of reports and associated key performance indicators is regularly reviewed to ensure they meet the information needs of the Board, MD and management.

The Company's risk management system is evolving. This is an on going process and it is recognized that the level and extent of the Risk Management System will evolve as the Company evolves. It takes into account Risk culture & Capabilities; Tech enablement, Governance, risk programme, optimization etc.

An annual report is prepared by management for evaluation by the Board and Audit Committee, which includes a review of forecasting accuracy, whether key risks have been reported efficiently, and if any events or trends emerged that were not forecast.

The risk strategy is determined by a risk appetite defined for a series of risk criteria. These are based on sectoral circumstances, internal capabilities and the earnings target within the accepted volatility limits. These criteria provide a reference for Companies operating divisions. The Company has well-defined Risk Library/Matrix of the Company, which cover inter-alia the following,

a. Risk Events & Description
b. Risk Impact Rating
c. Risk Likelihood Rating
d. Control Mitigation Rating
e. Action Plans
f. Action Taken

Internal Environment / Culture

Management sets a philosophy regarding risk and sets a risk appetite. This environment along with the integrity, ethical values, and competence of the people that operate in it create the risk culture of the organization. HEG believes that risk management is most effective when all employees apply it intuitively in day-to-day activities across the entire organization.

Management fosters and maintains a culture that encourages employees to communicate risk management issues and recommendations without fear of reprisals.

Review of this policy

The Board shall have the power to review or amend this policy to ensure it remains consistent with the Company's objectives and responsibilities and the provisions laid down by SEBI and other regulatory authorities from time to time.

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POLICY FOR DETERMINATION OF MATERIALITY FOR DISCLOSURE OF COMMODITY RISK

Preamble

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates listed Companies to make disclosures regarding commodity price risk and hedging activities.

Accordingly, this Policy has been formulated in accordance with the aforesaid regulatory requirement for determination of materiality pertaining to exposure & risks of Commodity and disclosure thereof and shall form part of the Risk Management Policy of the Company.

Materiality Levels

It is hereby postulated that the 'exposure' to a commodity (Calcined Petroleum Needle coke) would be material only if:

(a) the value of the raw material (Calcined Petroleum Needle coke) constitutes more than 20% of the total realized value of the finished product during the year and

(b) if the yearly weighted average procurement price of a commodity (Calcined Petroleum Needle coke) moves on historical basis at a rate higher than 30% of the movement in yearly weighted average historical price of the relevant finished product.

Review of this policy

The Board shall have the power to review or amend this policy to ensure it remains consistent with the Company's objectives and responsibilities and the provisions laid down by SEBI and other regulatory authorities from time to time.