



SARDA ENERGY & MINERALS LIMITED

Regd. Off: 73-A, Central Avenue, Nagpur (MH.) 440018

Ph: +91-712-2722407; Email: cs@seml.co.in

URL: www.seml.co.in

CIN: L27100MH1973PLC016617

RISK MANAGEMENT POLICY

1.		Background
		<p>Risk, which is the manifestation of business uncertainty affecting corporate performance and prospects, is an integral part of business. Sarda Energy & Minerals Limited (SEML) is into manufacturing activities and is prone to inherent business risks. As a proactive enterprise, SEML strengthens its systematic approach to its risk management. The Company spends significant time, effort and human resources to manage and mitigate such risks.</p> <p>This Risk Management Policy (the Policy) has been framed, to mitigate and manage risk at the Company. Its objective is to evaluate, monitor and minimize the identifiable risks.</p> <p>This document shall be under the authority of the Board of Directors of the Company.</p>
2.		Objective
		The objective of the Risk Management Policy of the Company is to create and protect shareholder value by minimizing threats or losses and identifying and maximizing opportunities. This Risk Management Policy is being applied to ensure that effective management of risks is an integral part of working of every personnel from executive level to managerial level. These include:
	a)	Providing a robust framework, that regulates and enables decision making process consistent and calibrated to protect the company from disproportionate or exotic risks / exposures;
	b)	Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility, and opportunities/ threats;
	c)	Contributing towards more efficient use/ allocation of the resources within the organization;
	d)	Protecting and enhancing assets and company image;
	e)	Reducing volatility in various areas of the business;
	f)	Developing & supporting people and knowledge base of the organization;
	g)	Optimizing operational efficiency; and
	h)	Strengthening corporate governance processes.



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3.		Legal Framework
	a)	In terms of the requirements under Section 134(3)(n) of the Act, 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.
	b)	Section 177(4) of the Act states that 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.
	c)	As per Schedule IV of the Act, Code for Independent Directors:
	i)	Clause 1: 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;
	ii)	Clause 4: The independent directors shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
	d)	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.
	e)	Further as per Regulation 21 of the SEBI LODR Regulations, the Board of Directors shall constitute the Risk Management Committee and the Committee shall formulate risk management policy and review the policy as and when required.
4.		Applicability
		This revised Policy shall come into force with effect from 01.04.2025.
5.		Definition
		In this Policy, unless the context otherwise requires:
	a)	Act means the Companies Act, 2013, as amended from time to time.
	b)	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.
	c)	Board of Directors or Board in relation to the Company, means the Board of Directors of the Company.
	d)	Company / SEML means Sarda Energy & Minerals Limited, a Company incorporated under the provisions of Companies Act, 1956.



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	e)	Policy means Risk Management Policy of the Company.
	f)	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 & external and are inherent in all administrative & business activities.
	g)	Risk Management is the systematic way of protecting business resources and revenue against losses so that the objectives of the Company can be achieved without interruption.
	h)	Risk Management 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.
	i)	SEBI LODR Regulations means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended / substituted from time to time.
6.		Risk Management Framework
		SEML will consider activities at all levels of the organization and its Risk Management with focus on three key elements, viz.,
	i)	Risk Assessment/Identification- detailed study of threats and vulnerability and resultant occurrence of various risks.
	ii)	Risk Management and Monitoring- the probability of risk assumption is estimated with available data and information.
	iii)	Risk Mitigation- Measures adopted to mitigate risk by the Company.
		Accordingly, in managing the risks,
	a)	The role of Risk Management Committee is to frame and recommend the Risk Management Policy, its effective implementation and evaluation of the risk management systems.
	b)	<p>The Board's role is to ensure framing, implementing, and monitoring risk management plan/policy, 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.</p> <p>The Board is required to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analysing, and mitigating all the material risks, both external & internal including environmental, business, operational, financial, political, social and others. Board is also required to ensure</p>



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			communication of Risk Management Strategy to various levels of the management for effective implementation in the Company.
		c)	This policy shall complement the other policies of the Company to the extent required/necessary in mitigating risks.
7.			Risks specific to SEML and the mitigation measures adopted
	a)		Economic/Industry risk
			These include - organization and management risks, production, process and productivity risks, business interruption risks and cyclical nature of industry.
			<i>Risk Mitigation measures</i>
		i.	The Company functions under a well-defined organization structure with focus on role clarity.
		ii.	Proper systems are in place in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
		iii.	Selection of technology, standardization of processes, clear SOPs, training, upkeep of assets etc.
		iv.	Integrated operations backed by captive power plant. Besides, the Company's plants are located in a steel manufacturing belt, making it possible to provide products with speed, timely delivery and relatively high logistic efficiency.
	b)		Input Risks
			These include - raw material availability and changes in rates of raw materials / finished products, demand and supply risks, quantities, qualities, suppliers and lead time, competition and increase in commercial costs.
			<i>Risk Mitigation measures</i>
		i.	Tracking micro and macroeconomic level data, market trends and forecasts by expert agencies, internal review by team of experts.
		ii.	Developing a good understanding and tracking of movement of rates of raw material at macro level, keeping a track on global and domestic economy, climatic conditions, geo-political factors, global demand and supply, trade policies etc.
		iii.	Alternative sources be developed for uninterrupted supply of raw materials.
		iv.	Proper inventory control system
		v.	The Company should aim at increasing operational efficiency and continues to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.
		vi.	On competition side, keeping a close watch on competitors' strengths and weaknesses, competition dynamics etc.
		vii.	Integrated business model makes it possible for the end product of one business to be positioned as the raw material of another, creating a self-feeding ecosystem



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			within minimal inventory, costing and logistic issues. This integration strengthens the Company's insulation from external pricing & supply shocks, thus enhancing input security.
		viii.	Continuous efforts for acquiring captive mines of key inputs – iron ore/coal/manganese ore, etc.
	c)		Financial Risks
			These include - financial solvency and liquidity risks and cash management risks, risks in settlement of dues by dealers/customers
			<i>Risk Mitigation measures</i>
		i.	Proper financial planning is in place with detailed Annual Business Plans discussed at appropriate levels within the organization.
		ii.	Annual & quarterly budgets are prepared and analysis of the nature and quality of the assumptions, parameters etc. are put up to management for detailed discussion
		iii.	Variance Analysis for better financial planning and study of factors giving rise to variances.
		iv.	Use of MIS reports by the management to monitor various financial requirements and to ensure utilization of funds in an effective manner.
		v.	Cash management services be availed from Bank to ensure efficient collection and utilization of funds.
		vi.	Systems put in place for assessment of creditworthiness of dealers/customers
		vii.	Provision for bad and doubtful debts be appropriately made in books of accounts
		viii.	Appropriate recovery management and follow up.
		ix.	Minimum debt to the extent possible to have the required cushion for raising required funds in case of opportunity.
	d)		Foreign Exchange Risks
			The foreign currency exposure for imports are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.
			<i>Risk Mitigation measures</i>
		i.	Foreign currency exposures be recognized from the time an import/export order/contract is signed and as per contractual maturity prior to opening of Letters of Credit and/or Purchase Orders by customers.
		ii.	Well defined policy on foreign exchange in place duly approved by the Board of Directors, which includes authority for dealing in forex, implementing hedging strategies, specification of transaction limits and other relevant matters.
		iii.	Company has substantial imports and exports and as such to a large extent it has a natural hedge available to it. Besides, the Company is to manage its foreign exchange risk through forward bookings and other avenues.



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e)	Environmental Risks
	The Company endeavours to protect the environment in all its activities, as a social responsibility. The legal exposure in this regard is in the event polluting materials are discharged into the environment, causing danger/damage to surroundings.
	<i>Risk Mitigation measures</i>
i.	Company has installed proper pollution control equipment of adequate capacity to ensure that the Company complies with all Environment norms.
ii.	Extensive plantation of trees around manufacturing plants be undertaken for green belt development.
iii.	Focus on efficient operations of environment protection system and equipments.
iv.	Regular checking and repair/replacement of pollution control equipments to maintain discharge of pollutants in the atmosphere well within the permissible limits.
f)	Regulatory Risks
	Compliance with the ever-changing applicable statutes and guidelines, rules and regulations is another risk the Company is exposed to.
	<i>Risk Mitigation measures</i>
i.	Conducting risk assessments
ii.	Enforcing and monitoring code of conduct for key executives
iii.	Instituting Whistle-blower mechanisms
iv.	Adhering to internal audit and internal control practices that prevent collusion and concentration of authority
v.	Systems in place to ensure compliance with the regulatory changes.
g)	Human Resource Risks
	Labour turnover risks, involving replacement risks, training risks, skill risks, unrest risks due to strikes and lockouts, etc.
	<i>Risk Mitigation measures</i>
i.	Ensuring that the right person is assigned the right job and that they grow & contribute towards organizational excellence.
ii.	Company should have proper recruitment policy for recruitment of personnel at various levels in the organization.
iii.	Proper appraisal systems with the participation of the employee and consistent with job content, peer comparison and individual performance for revision of compensation on a periodical basis should be evolved and followed regularly.
iv.	Inculcate in employees a sense of belonging and commitment and providing training to them in spheres other than their own specialization.
v.	Welfare activities for the employees.
vi.	Employees should be encouraged to give suggestions and discuss their problems



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			with Superiors.
		vii.	Efforts should be made to keep cordial relations with employees at all levels.
		h)	Safety Risks
			Natural risks like Fire, Earthquakes, Pandemic, etc. to ensure safety of men, material and machine.
			<i>Risk Mitigation measures</i>
		i.	The properties of the Company are insured against natural risks, like fire, earthquakes, etc. with periodical review of adequacy, rates and risks covered.
		ii.	Company has fully equipped dispensary and fire station to cater to any fire/health hazard in the course of its operation.
		iii.	Fire-fighting equipment have been placed at fire sensitive locations.
		iv.	First aid training is given to watch and ward staff and safety personnel.
		v.	Well-designed hydrant systems and training of personnel for the same.
		i)	Health related disruptions
			These include disruption created in working of human resources due to health or movement related emergencies such as by Pandemic, epidemic, flood, breakdown of transport or communication system, lockdowns or similar situations.
			<i>Risk Mitigation measures</i>
		i.	Introduction of systems to check spread of any infectious disease
		ii.	Periodical medical testing of employees for timely diagnosis of occupational hazards
		iii.	Development of system and infrastructure for remote /online operations with checks and balances
		iv.	Development of SOP to regulate working / presence of affected persons for restricting spread of infection
		v.	Development of Medical and psychological support system to tackle the challenges
		j)	System Risks / Cyber Security Risks
			System capability, System reliability and Data integrity risks
			<i>Risk Mitigation measures</i>
		i.	Systems department maintains and keeps upgrading the systems on a continuous basis.
		ii.	The Company ensures Data Security, by having access control/ restrictions.
		iii.	Data backups are taken regularly and in a methodical way.
		iv.	Installation of antivirus software to create firewalls.
		v.	Proper and effective IT infrastructure to ensure smooth access of information/data even from remote locations.



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8.			Risk Reporting
	a)		<u>Internal Reporting:</u>
		i.	Individuals
		ii.	Vertical Heads
		iii.	Risk Management Committee
		iv.	Board of Directors
	b)		<u>External reporting:</u>
		i.	To communicate to the stakeholders on regular basis as part of Corporate Governance.
		ii.	The Board of Directors shall include in their Board's Report, a statement indicating development & 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 in any manner.
9.			Compliance and control
			All the Senior Executives under the guidance of the Risk Management Committee /Board, shall have the responsibility for over viewing risk management processes and results in identifying, assessing, and monitoring risk associated with Company's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk.
			The Senior Executive shall consider and assess the appropriateness and effectiveness of management information and other systems of internal control, take support of external experts, if required and report to the management for necessary changers/improvements/modifications in the processes/practices.
10.			Risk Management Responsibilities and Authority
	a)		<u>All employees</u>
			The effective management of risk is the responsibility of all managers, staff and others engaged to act on behalf of the Company.
	b)		<u>CFO / Risk Management Committee</u>
			Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the whole-time directors and Chairman / Managing Director / Jt. Managing Director of the Company along with their considered views and recommendations for risk mitigation.
			The Chief Financial Officer and the members of the Audit Committee are responsible for monitoring and reviewing the risks quarterly, continued relevance of risk assessment, effectiveness of risk mitigation measures and its timely of implementation, keeping in view the changes in circumstances.
			The Risk Management Committee shall monitor the internal policies for



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		identifying and determining key risks to which the Company is exposed. Analysis of all the risks thus identified shall be carried out by the Risk Management Committee through participation of the vertical/ functional heads and a preliminary report shall be placed before the Audit Committee.
	c)	<u>Board and Audit Committee</u>
		<p>The Audit Committee shall oversee the operation of the risk management system and ensure its adequacy.</p> <p>The Board shall oversee the establishment and implementation of the Company's risk management framework and shall review annually the effectiveness of that system.</p> <p>Chairman / Managing Director / Jt. Managing Director / Wholetime Director shall provide a half-yearly statement to the Board in writing that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>
11.		Integration of Risk Management Strategy with Business Strategy
		The risk management strategy of the Company shall be integrated with the overall business strategies of the Company and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.
12.		Business Continuity Plan
		<p>Business Continuity Plans (BCP) are required to be defined for High Impact & High Velocity risk, to enable rapid response to address the consequence of such risks when they materialize.</p> <p>Plans typically contain a checklist that includes supplies and equipment, data backups and backup site locations. Plans can also identify plan administrators and include contact information for emergency responders, key personnel and backup site providers.</p> <p>Business Continuity Planning shall be embedded in the Internal Controls and Crisis Management framework for products, systems and processes etc.</p>
13.		Review/Amendment
		<p>This policy may be reviewed by the Risk Management Committee/Audit committee from time to time or as may be necessary / statutorily required.</p> <p>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.</p>

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			<p>This Policy may be reviewed/amended by the Board at any time/as may be required statutorily.</p> <p>In the event of any conflict between the provisions of this Policy and any statutory enactments/rules, the provisions of such statutory enactments/rules shall prevail over this policy and automatically be applicable and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the statutory requirements.</p>
13.			Disclaimer
			<p>The Management cautions that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.</p>