

RISK MANAGEMENT

Adopting a Comprehensive Risk Management Strategy

We have established a robust risk management framework to monitor the risks and uncertainties that our business faces. Our approach is centred around creating and safeguarding value, ensuring that we proactively manage potential challenges and capitalise on opportunities.

Enterprise Risk Management Framework

We have implemented a comprehensive Enterprise Risk Management Framework and Policy that has received approval from our Board of Directors. This framework is aligned with the standards set forth by ISO 31000 and COSO, enabling us to identify risks at all levels, including the shop-floor level. By adhering to this robust risk management framework, we are equipped to proactively identify and address potential risks throughout our organisation.

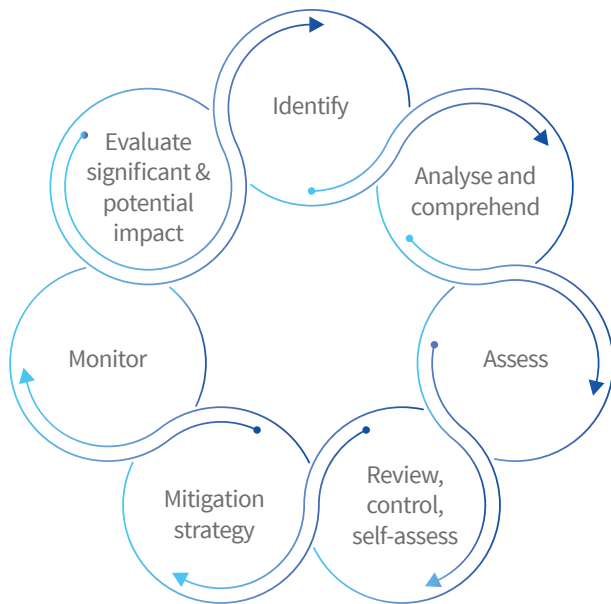
Our Enterprise Risk Management (ERM) framework is structured to prevent incidents and optimise business outcomes. It empowers management to:

- Gain a comprehensive understanding of the risk landscape and evaluate potential exposure

- Effectively manage overall risk exposure and develop strategies for risk mitigation
- Continuously monitor the effectiveness of risk management practices
- Strengthen controls and make necessary improvements as identified
- Provide periodic reports on risk management to the management chain, including the Board of Directors

Through our ERM framework, we strive to ensure a proactive and systematic approach to risk management, enabling us to safeguard our business and drive sustainable success.





Collaborative Approach towards Risk Management

Each Business and Functional Head is responsible for implementing Risk Management practices within their business units/functions, identifying short, medium and long-term risks, likelihood, impact and devising mitigation strategies against each identified risks. Risk registers are prepared to capture details about each identified risks. By aggregating and evaluating risks across these registers, Deepak Group identifies the Company's principal risks and formulate an appropriate response mechanism. Business and Functional Heads review risks specific to their operations / functions, assess changes in risk profiles and decide on necessary actions to manage and mitigate risks. These risks and mitigation plans are presented by respective Business and Functional Heads to the top management for their review and inputs, every quarter. A comprehensive Risk Management report is then presented to a duly constituted Risk Management Committee of Directors.

The Risk Management Committee within Deepak Group plays a crucial role in overseeing and guiding the organisation's Risk Management efforts. The Risk Management Committee provides overall oversight of the Risk Management process within the Group. It ensures that a systematic and comprehensive approach is in place, aligning with the Group's strategic objectives.

To further support the Risk Management process, the Risk Management Committee collaborates closely with the Board. Through the expertise and oversight of the Board, the Committee further strengthens the organisation's ability to effectively address and mitigate risks. The Board of Directors holds the ultimate responsibility for the management of risks within the Group. They oversee and review reports on the risk matrix, significant risks and mitigating actions periodically.

By implementing effective risk management practices, we are able to:

- Successfully achieve our strategic objectives
- Enhance our decision-making, planning and prioritisation processes
- Capitalise on opportunities while proactively managing risks within a dynamic external landscape
- Establish controls to mitigate or prevent the occurrence of risks
- Prioritise risk and reward considerations and implementation in areas of utmost importance
- Ensure compliance with corporate governance standards

Strategic Global Risks

Global Energy transition impacting businesses



Mitigation strategies

- Continuously monitoring current as well as future situations
- Raw Material linked pass through contracts with the customers. Raw material situation regularly exchanged with key customers to have consensus for price escalation
- Leverage on bulk volumes to secure price & availability
- Develop alternate/multiple vendors to secure material availability

Global Geopolitics and Monetary Risk



Mitigation strategies

- Actively monitoring major price trends – Lead & Lag indicators
- Cost optimisation by spot or contractual purchasing whenever feasible
- Enhanced engagement with customers to be a preferred supplier
- Securing alternative product for the plant to diversify asset utilisation
- Monitoring overall demand and supply development with allied resources of the end industry

Business – Operations Risks

Supply Chain Disruption / Business Interruption Risks



Mitigation strategies

- Enhancing safety stocks, movement of materials through pipelines
- Procuring from different geographies to mitigate shipping delays
- Securing shipments to meet established supply timelines
- Maintain sufficient inventories to serve the customers in case of any disruption in supplies
- Re-negotiating contracted terms for logistic rates

Supplier Dependency



Mitigation strategies

- Diversify sourcing pattern across all materials
- Sourcing on spot basis whenever competitive offers are received from local and import suppliers
- Developing additional vendors for products

Emerging competition to our existing business



Mitigation strategies

- Multi-year contractual engagement for major business
- Positioning as a preferred supplier of choice, addressing key customers' concern
- Enhanced supply planning, with acceptable lead times and risk mitigation buffers
- Focus on new customers in International market and addition of distributors in respective regions
- Retaining volumes in the market by adding more customers
- Long-term tie-up with domestic customers to protect market share and increase export sales to various geographies

Succession Planning/ Critical Position Planning



Mitigation strategies

- Defining Competency Framework
- Assessment of employees on the competency framework
- Individual Development Plan with focus to build capabilities for the role
- Strengthening skills and competencies through Learning & Development
- Developing secondline for key/critical positions

Information Security and Confidentiality



Mitigation strategies

- Imposing stringent confidentiality obligations
- Sharing of information strictly on need to know basis
- Use of new IT tools to control documents flow
- Regular Training programmes
- Periodic audit / study by external expert and implementing their recommendation

IT System Failure Risk



Mitigation strategies

- Upgrading systems on a continuous basis
- Password protection at different levels to ensure data integrity
- Ensuring Data Security through access control/restrictions
- Regular trainings
- Softwares on multiple servers to avoid disruption due to single failure
- Creation of Disaster Recovery Site. Online backups for recovery

Technology Obsolescence



Mitigation strategies

- Evaluation of technological obsolescence on a continual basis and making necessary investments
- Established contacts with leaders in technology in the areas of the company's operations to access newer and evolving processes and their applications in the manufacture of finished goods.
- Replacement of Machinery and Equipment for taking advantage of technological movements.
- Robust Idea to Plant / Technology selection process to evaluate current and emerging technologies for selection of the most appropriate and sustainable process/technology

Contractual Risk



Mitigation strategies

- Experienced team of professionals with focus on evaluating the risks involved in a contract and restricting our liabilities under the contract
- Impact of all clauses of the contracts are studied in detail to ensure their adherence.
- Various departments of Company work in close coordination to ensure that the Company meets with its obligations under the Contracts.

Financial Risks

Forex Market Volatility



Mitigation strategies

- Monitoring net open position on fortnightly basis and tracking of exchange rate/market on real-time basis to grab the opportunity.
- Having mix of dynamic hedging strategies including Forwards, Options, Range Forwards.



Compliance Risks

Plant Safety Compliances



Mitigation strategies

- Compliance to workplace safety guidelines
- Adherence to Process Safety elements.
- Integrated Management systems and safety audits to ensure compliances.
- Training to all employees regarding SOPs and safety system.
- Identification of near miss, unsafe conditions and unsafe actions and actions based on the same.
- Incident investigation and implementation of preventive actions.
- Safety review by the top management.

Environment Norms Compliances



Mitigation strategies

- Daily monitoring and maintaining of all environmental parameters
- Third party environment monitoring.
- Ensuring disposal of hazardous wastes & spent acid as per PCB norms.
- Amendments to CTE and CTO wherever required.

Reputational Risks

Reputational Risk



Mitigation strategies

- Implementation and communication of policies and guidelines
- Regular interaction and open communication with stakeholders
- Encouraging interaction by respective Site Heads/HR Heads with the local community people/villagers
- Media monitoring including print and social media
- Creating employee awareness