

TULSYAN NEC LIMITED

RISK MANAGEMENT POLICY

In compliance with Section 134 (3) (n) of the Companies Act, 2013 and Clause 49 (VI) of the Listing Agreement, the Company is required to develop Risk Management Policy in order to lay down risk assessment and minimisation procedures.

The Board of Directors shall oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy.

The Chairman / Managing Director shall have the responsibility for identifying, assessing, monitoring and managing risks. They are also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material changes. The implementation of the risk management system and day-to-day management of risk is the responsibility of the Chairman / Managing Director, with the assistance of senior management, as required.

The Chairman is required to report to the Board as to the effectiveness of the Company's management of its material business risks on a regular basis. The Heads of respective Departments of the Company shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Chairman / Managing Director.

The Company considers that any risk that could have a material impact on its business should be included in its risk profile.

THE AREAS OF RISK INCLUDE:

- a. Raw Material Risk
- b. Quality Risk
- c. Technology Risk
- d. Competition Risk
- e. Financial Risk including Foreign Exchange Risk
- f. Realisation Risk
- g. Cost Risk
- h. Legal Risk
- i. Competition Risk

THE KEY RISK MANAGEMENT PROCESS WOULD INCLUDE:

- i. Risk Identification
- ii. Assessment of identified risk
- iii. Risk measurement
- iv. Risk mitigation
- v. Monitoring of the risk mitigation efforts
- vi. Risk reporting and disclosures
- vii. Integration with strategy and business plan

ROLE OF AUDIT

A strong and independent Internal Audit Function at the corporate level carries out risk focussed audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Board and the Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. It also monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented. In mean while the Board and the Audit Committee periodically undertake a review of the major risks affecting the Company's business and suggests steps to be taken to control and mitigate the same.

CONTINUOUS IMPROVEMENT

The Company's risk management system is always evolving. It is an on-going process and it is recognised that the level and extent 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 line with the Company's objectives.
