

## RISK MANAGEMENT POLICY

### SILVER CONSUMER ELECTRICALS LIMITED

CIN: U46539GJ2021PLC122633

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#### PREAMBLE

Risk is inherent in all administrative and business activities. Risks are such events or the conditions that has a harmful or negative impact on the organizational goal or its business objectives. The exposure to the consequences of uncertainty constitutes a risk. Every member of the organisation continuously manages risk. The systematic approaches to managing risk have evolved and are now regarded as good management practice. The objective of this policy is to manage the risks involved in all sphere of the activities of the company to maximize opportunities and minimize the adversity.

Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management,
- Balance between the cost of managing risk and the anticipated benefits and
- Contingency planning in the event that mission critical threats are realised.

#### INTRODUCTION

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the activities of Silver Consumer Electricals Limited (the "**Company**"). Risk management policy and processes will enable the Company to identify the key events/risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure

timely evaluation, reporting and monitoring of key business risks.

Section 134(3) of the Companies Act, 2013 requires a statement to be included in the report of the board of directors (the “**Board**”) of the Company, 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.

Furthermore, Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”), requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the Risk Management plan of the Company.

The policy, shall be applicable to the Company with effect from the listing of the equity shares of the Company on one or more recognized stock exchanges.

The policy shall include a framework for identification of internal and external risks specifically faced by the Company, 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 Risk Management Committee, along with measures for risk mitigation including systems and processes for internal control of identified risks.

### **OBJECTIVE**

The Company is prone to inherent business risks. The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to risk management, in order to guide decisions on risk related issues.

This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks. This policy is framed in line with the Companies Act, 2013 read along with the applicable rules thereto, Regulation 17(9) and Regulation 21 of the SEBI Listing Regulations which require the Company to lay down procedures for risk assessment and risk minimization.

### **DEFINITIONS**

“**Audit Committee**” shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 of the Companies Act, 2013.

“**Board**” means Board of Directors of Silver Consumer Electricals Limited.

“**Company**” means Silver Consumer Electricals Limited.

“**Risk**” is defined as the chance of a future event or situation happening that will have an impact upon company’s objective favorably or unfavorably. It is measured in terms of

consequence and likelihood.

**“Risk Management”** encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

**“Risk Management Committee”** means the committee constituted by the Board of the Company in accordance with the SEBI Listing Regulations to monitor and review the risk management plan and such other functions as it may deem fit, majority of committee shall consist of members of the Board. Senior executives of the Company may be members of the said committee but the chairman of the committee shall be a member of the Board.

### **RISK MANAGEMENT FRAMEWORK**

The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow to manage risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

The Company’s approach to risk management is summarized as below –

#### **a) Identification of risks**

To ensure key risks are identified and recognised, the Company;

- defines the risks in context of the Company’s strategy;
- documents risk profiles, including a description of the material risks; and regularly reviews and updates the risk profiles.

#### **b) Assessment of risks**

The risk assessment methodology shall include:

- collection of information;
- identification of major risks;
- rating of each risk on the basis of: consequence, exposure, probability;
- prioritization of risks;
- function-wise exercise on risk identification, risk rating, control;
- function-wise setting the level of responsibility and accountability.

#### **c) Prevention, measurement and control**

Identified risks are then analysed and the manner in which the risks are to be managed and controlled are then determined and agreed. The generally accepted options are;

- accepting the risk (where it is assessed the risk is acceptable and where avoiding the risk presents a greater risk through lost opportunity);
- managing the risk (through controls and procedures);
- avoiding the risk (through stopping the activity);
- transferring the risk (through outsourcing arrangements);
- financing the risk (through insurance arrangements);
- sharing the risk (by retaining to the extent that can be retained and transferring the balance);

- measures to avoid occurrence of risk, limit its severity and reduce its consequences.

#### **d) Continuous assessment**

The Company's Risk Management Framework requires continuing cycle of implementing, monitoring, reviewing and managing the risk management processes.

### **RISK PROFILE**

The identification and effective management of risks is critical in achieving strategic and business objectives of the Company. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

#### **a) Strategic Risks**

- Lack of responsiveness to the changing economic or market conditions that impact the Company's operations.
- Ineffective or poor strategy developed.
- Ineffective execution of strategy.

#### **b) Financial Risks**

- Financial performance does not meet expectations.
- Capital is not effectively utilized or managed.
- Cash flow is inadequate to meet financial obligations.
- Financial results are incorrectly accounted for or disclosed; and
- Credit, market and/or tax risk is not understood or managed effectively.

#### **c) Operational Risks**

- Difficulties in commissioning and operating a particular business.
- Unexpected increase in the costs of the components required to run a business.
- Adverse market conditions.
- Failure to meet the expenditure commitments on prospecting/marketing particular business.
- Inadequate or failed internal processes, people and systems for running a particular business.

#### **d) Investment Risks**

- Failure to provide expected returns for defined objectives and risk such as underperforming to the stated objectives and/or benchmarks.

#### **e) People's Risk**

- Inability to attract and retain quality people.
- Inadequate succession planning.
- Inappropriate work culture and ethics.
- Inefficient whistle blower mechanism.
- Ineffective policy for woman safety at workplace.

#### **f) Legal and Regulatory Risks**

- Legal / commercial rights and obligations are not clearly defined or misunderstood.
- Commercial interests not adequately protected by legal agreements.

**g) Compliance Risks**

- Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

**h) Cybersecurity Risk:**

- With the rising needs of digitalization and modern technology, there is an additional threat to key information of the Company stored on various applications, be it on external cloud storage, or other networks and devices and devices from cyberattacks which could be in the form of theft, breach of security virus or such other vulnerabilities and attacks.

**GOVERNANCE STRUCTURE**

**Board of Directors**

The Board of the Company is responsible for reviewing and ratifying the Risk Management structure, processes and guidelines which are developed and maintained by the Risk Management Committee of the Company constituted by the Board in accordance with the SEBI Listing Regulations. The Risk Management Committee may also refer specific issues to the Board for final consideration and direction.

**Risk Management Committee**

The oversight and management of the Company's risk management program and this Policy has been conferred upon the Risk Management Committee. The role of the Risk Management Committee, *inter alia*, includes the following:

- (a) To formulate a detailed risk management policy which shall include:
  - (a) 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.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (c) Business continuity plan
- (b) To periodically review the Policy as deemed necessary by the Risk Management Committee and at least once every two years, and advise on any amendments that may be required to the Policy, including by considering the changing industry dynamics and evolving complexity;
- (c) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate the Risks associated with the business of the Company and its subsidiaries;
- (d) To monitor and oversee the implementation of the Policy, including evaluation of adequacy of risk management systems;

- (e) To keep the Board informed about the nature and content of the discussions and recommendations of the Risk Management Committee and actions to be taken by the Risk Management Committee; and
- (f) To coordinate with other committees of the Board in instances where there is any overlap of the activities of the Risk Management Committee with such other committees of the Board.
- (g) The appointment, removal and terms of remuneration of the chief risk officer (if any) shall be subject to review by the Risk Management Committee

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, in each case, as approved by the Board.

### **INTERNAL CONTROLS**

Internal controls encompass a review of the Risks inherent in each activity. The Audit Committee report to the Board on the adequacy of internal controls. As part of its remit, the committee reviews the work of the internal and external Auditors and of the Company's management.

As part of the annual audit, Company's External Auditors will advise the Audit Committee on the operation of the internal financial controls.

### **PERIODIC REVIEW**

The Board will periodically review its risk appetite and risk tolerance. The Board will also periodically review the effectiveness of the internal control system and in doing so will:

- Review the previous year and examine the Institute's track record on risk management;
- Consider whether Company has made the right decisions on risks that are value enhancing and value protecting;
- Consider the internal and external risk profiles of the coming year;
- Consider whether the current internal control arrangements are likely to be effective.

### **GENERAL LIMITATIONS**

In the event of any conflict between this Policy and any regulatory provision(s), such regulatory provision(s) shall prevail over this Policy.

### **DISCLOSURE**

This Policy shall be disclosed under a separate section on the website of the Company.

### **REVIEW AND AMENDEMENT OF THE POLICY**

The Board or the risk management committee of the Company will review this Policy from time to time, at least once every two years, to ensure it remains consistent with the Board's objectives and responsibilities.

The Board on its own and/or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the rules, regulations, notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

For any clarification/ assistance in relation to this Policy, please approach the Company Secretary of the Company [cs@silverpumps.com](mailto:cs@silverpumps.com).

