RISK MANAGEMENT POLICY

OF

SOLAR INDUSTRIES INDIA LIMITED

Adopted on :- February 7, 2018
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1. INTRODUCTION

Risk management is an integral component of good corporate governance and fundamental in achieving the company's strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

Solar Industries India Limited desires to refine its organisational wide capabilities in risk management so as to ensure a consistent, efficient and effective assessment of risks in the achievement of the organisation's objectives. It views risk management as integral to its objective of creating and maintaining business continuity, shareholder value and successful execution of its strategies.

The Company's risk management policy provides the framework to manage the risks associated with its activities. It is designed to identify, assess, monitor and manage risk.

2. STATUTORY REQUIREMENTS

The Companies Act, 2013 and the SEBI Listing Obligations and Disclosure Requirements) Regulations, 2015, ("LODR - 2015") have various provisions in relation to Risk Management policy, procedure and practices.

As per Regulation 17(9) of the SEBI LODR, 2015, the listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Section 134(3)(n) of the Companies Act, 2013 requires a statement to be included in the report of the board of directors ("Board") of Solar Industrires India Limited ("Solar" or 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.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" ("Policy") of the Company. Solar Industrires India Limited, being a listed company, is required to adhere to the regulations made both by the Companies Act, 2013 and LODR - 2015 governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

3. SCOPE OF THE POLICY

The policy guidelines are devised in context of the Company's growth objectives, its business and strategy plan, global standards and leading Risk Management practices. The Scope of the Policy shall cover:

- All functions at Corporate offices Globally of Solar Group.
- All manufacturing divisions of the Company including overseas locations.
- All projects within and outside India.
- All events, both external and internal which shall have significant impact on the business objectives of the Company globally.

4. RISK MANAGEMENT FRAMEWORK

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organised methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

A framework for identification of internal and external risks 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 Committee shall be prepared.

Solar's risk assessment matrix is used as the benchmark in planning and implementing the risk management measures. It takes into consideration the nature, scale and complexity of the business. The risk management process consists of the following main elements:

Steps in Risk Management

Risk management is a shared responsibility. The risk management process model includes the following key activities, performed on a continuous basis:

A. Risk Identification
B. Risk Assessment
C. Risk Analysis
D. Risk Treatment and Mitigation
E. Risk Control and Monitoring

A. RISK IDENTIFICATION

The Company shall identify sources of risk, areas of impacts, events and their causes with potential consequences. Comprehensive identification is critical, because a risk that is not identified here will be missed from further analysis. The Company has in place the system for continuous identification of events that may have negative impact on the Company's ability to achieve goals and and document the risks captured by the risk owner in the Risk Register.

B. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

A. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organisation. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings

   • External risks factors:

   - Economic Environment
   - Political Environment Competition
   - Fluctuations in trading activities
   - Changes in interest rates
   - Changes in government policies
   - Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.

B. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

   • Internal risks factors:

   - Project Execution
   - Contractual Compliance
   - Operational Efficiency
   - Hurdles in optimum use of resources
   - Quality Assurance
   - Environmental Management
   - Human Resource Management
   - Culture and values

Operational risk –Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

Financial risk – The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.

Sectoral risk - The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

Other Examples of identified risks are as follows:

- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Its risk management methods and insurance policies not being effective or adequate
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

C. RISK ANALYSIS

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as “high” or “very high” criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

D. RISK TREATMENT AND MITIGATION

Each functional head / unit head is responsible for implementing the mitigation plan for the identified key risks for their relevant area. For every such risk, result and effort metrics are defined with milestones to ensure that the mitigation plans are acted upon and reviewed. Effort metrics refers to specific actions to be taken by the respective function or the organization. Result metrics are key internal or external indicators which represent the outcome of the efforts on the risk mitigation plan. Milestones are defined for next 3 years for each result metrics wherever feasible. The respective Risk Owner provides status update on the mitigation plan to the Risk Coordinator on at least quarterly basis.

E. RISK CONTROL AND MONITORING

As the risk exposure of any business may undergo change from time to time due to continuously changing environment, the risks with their mitigation measures shall be updated on a regular basis. The Control of Risk Management done on periodic basis by establishing clear allocation of roles and responsibilities as per risk governance structure.

5. OBJECTIVES OF THE POLICY

In order to achieve the key business objectives, the policy establishes a structured and disciplined approach to Risk Management in order to manage risk related issues. The specific objectives of the Risk Management Policy are:

i) To enable visibility and oversight of Board on risk management system and material risk exposures of the Company.

ii) Providing a framework that enables future activities to take place in a consistent and controlled manner (particularly, ESG related risks).

iii) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.

iv) Contributing towards more efficient use/ allocation of the resources within the organisation.

v) Protecting and enhancing assets and Company image.

vi) Reducing volatility in various areas of the business.

vii) Developing and supporting people and knowledge base of the organisation.

viii) Optimizing operational efficiency

ix) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

x) Assuring business growth with financial stability.

6. RISK MANAGEMENT COMMITTEE

COMPOSITION:

The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director.The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

The Company Secretary shall act as the Secretary to the Committee.

MEETINGS:

The Risk Management Committee should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings.

The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

7. ROLE OF RISK MANAGEMENT COMMITTEE

The role of the Risk Management Committee shall, inter alia, include the following:

1. To formulate a detailed risk management policy which shall include:

    a. A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (i.e. Environment, Social & Governance (ESG) related risks), 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.

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

3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

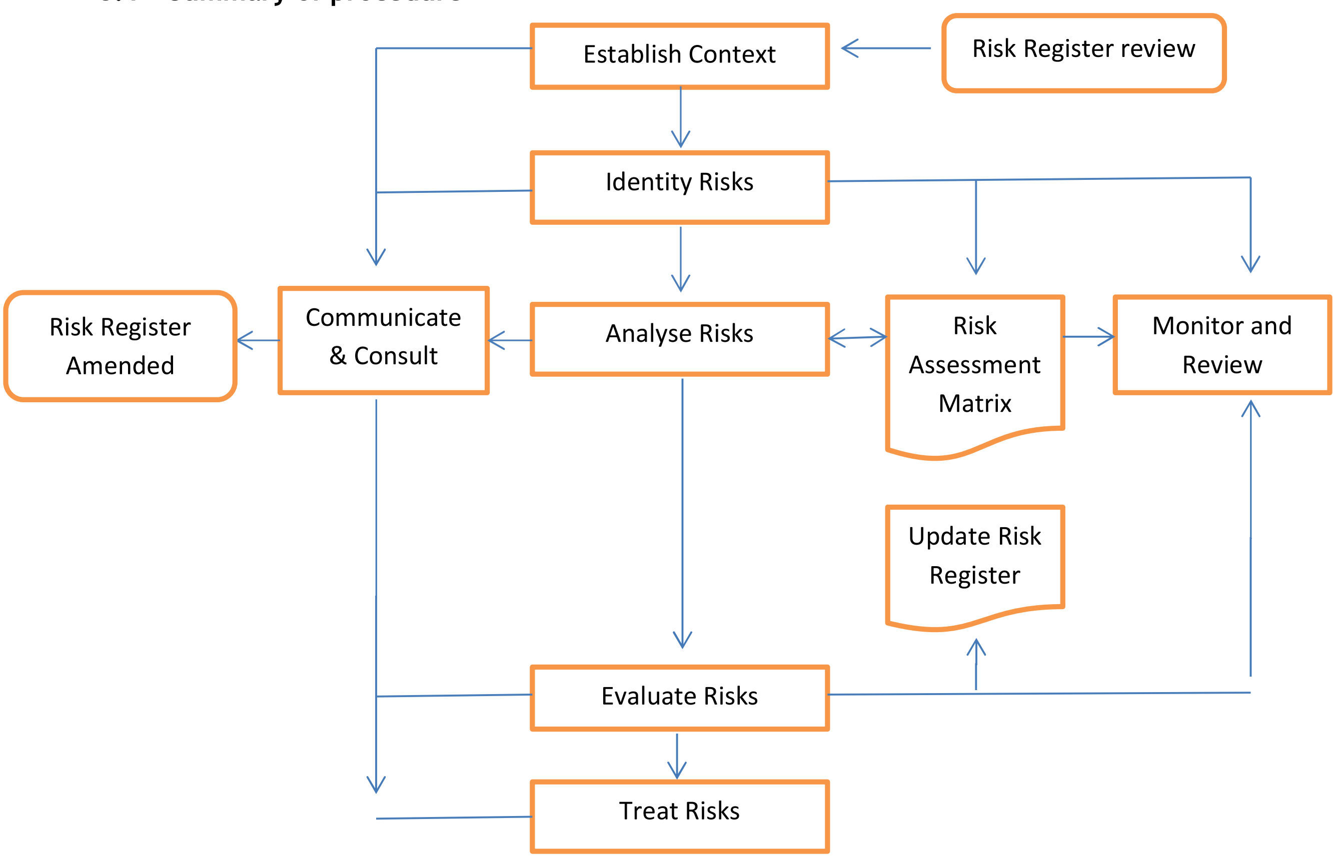
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

6. 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 coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors.

8. RISK MANAGEMENT PROCEDURE

8.1 Summary of procedure



8.2 Risk management process

The risk management system is dynamic and is designed to adapt to Solar's developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks.

The risk management system is based on a structured and systemic process, which takes into account Solar's internal and external risks.

The main elements of the risk management process are as follows:

Communicate and consult – communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.

Establish the context – establish the external, internal and risk management context in which the rest of the process will take place – the criteria against which risk will be evaluated should be established and the structure of the analysis defined.

Identify risks – identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of Solar's objectives.

Record risks – document the risks that have been identified in the risk register.

Analyse risks – identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk by analysing the range of potential consequences and how these could occur.

Evaluate risks – compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

Treat risks – develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.

Monitor and review – it is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and effectiveness of treatment measures need to be monitored so that changing circumstances do not alter priorities.

8.3 Risk Categorisation

Solar's s risks may come from any internal or external event, which, if it occurs, may affect the ability to efficiently, and effectively operate in the Explosives Industry:

Internal risks – those risks that specifically relate to Solar'sbusiness itself and as such as generally within its control. They include risks such as employee related risks, strategic risks and financial risks.

External risks – those risks that are outside the control of Solar. They include risks such as market conditions and legislative change.

The pictorial representation Appendix B outlines the Risk Categorisation.

8.4 Risk Controls

Risks are effectively managed by Solar's through the effective implementation of various controls, which include:

- Board approved risk management framework;
- Documented policies and procedures;
- Maintenance of registers;
- Implementation of risk based systems and processes;
- Ongoing monitoring of regulatory obligations;
- Checklists to guide activities and project plans to record actions; and
- Internal and external reporting.

Risk management can be applied at many levels in an organisation. It can be applied at a strategic level and operational level. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas.

8.5 Risk Management methodology

The methodology adopted by Solar's for managing and treating its risks can be defined as follows:

1. Document a risk management framework (i.e. the context)
2. Identify the general activities involved in running the business (i.e. risk categories)
3. Identify the risks involved in undertaking the specific business activity by asking the questions:

   a) What could happen?

   b) How and why could it happen?

4. Rate the likelihood of the business activity not being properly performed. Likelihood is assessed to the assumption that there are no existing risk management and compliance processes in place. It is assessed as either **Almost Certain, Likely, Possible, Unlikely and Rare**.
5. Rate the consequence of not properly performing the business activity - damage can be quantified in terms of financial loss to investors and/or Solar's itself. It is assessed as **Catastrophic**, **Major**, **Severe**, **Serious and Minor**.
6. Assign the inherent risk rating based on a combination of the risk rating. Low and medium risks may be considered acceptable and therefore minimal further work on these risks may be required. The rating may be assessed as **Critical, High**, **Significant**, **Medium** and **Low**.

7. Decide whether a control (eg policy, procedure, checklist, reporting mechanism or account reconciliation) is necessary given the level of risk, based on likelihood and consequences and if so, identify control.
8. Assess whether the existing controls are adequate and allocate the responsibility of monitoring the control to treat the risk. This will integrate risk management and compliance to daily activities and facilitate appropriate control of operational risk.
9. Raise awareness about managing risks across the organisation through communicating the policy and responsibilities.
10. Routinely monitor and review ongoing risks so can risk can be effectively managed

9. REVIEW OF POLICY

This Policy shall be reviewed at least once in two years to ensure it meets the requirements of legislation and the needs of organisation. Any subsequent amendment / modification in the Listing Regulations / Act in this regard shall automatically apply to this Policy. The same shall be added/amended/ modified from time to time by the Board of Directors or Executive Committee of Board of Directors of the Company with due procedure.

The Managing Director is authorised to amend or modify the Risk Management Policy, in whole or in part, from time to time.

(This document was approved by the Board of Directors at its Meeting held on February 7, 2018)

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