

Risk Management **f**OCUS

Carborundum Universal Limited
Chennai



Organizational Description

Carborundum Universal Limited (CUMI) was founded in 1954 as a tripartite collaboration between the Murugappa Group, The Carborundum Co., USA and the Universal Grinding Wheel Co. Ltd., U.K. The Company pioneered the manufacture of Coated Abrasives and Bonded Abrasives in India in addition to the manufacture of Super Refractories, Electro Minerals, Industrial Ceramics and Ceramic Fibres manufactured across several locations in and outside the country.

CUMI's constant innovation, through in-house R&D and strategic alliances with global leaders in grinding technology, have not only ensured it market leadership in India and abroad, but also international recognition as a manufacturer of quality abrasives and a provider of total grinding solutions. CUMI's products are being exported to more than 50 countries spread across North America, Europe, Australia, South Africa and Asia

CUMI is one of the five manufacturers in the world with fully integrated operations that include mining, fusing, wind and hydro power stations, manufacturing, marketing and distribution. Almost all of CUMI's manufacturing facilities have received the ISO 9001:2008 accreditation for quality standards.

Corporate Policy on Ethics

The Company has a Code of Conduct for the Board members, senior management and all employees. The Company is guided by the Five Lights - 'the Spirit of the Murugappa Group' which is adhered to in all the processes and practices. The Code of Conduct is circulated to the Directors and Senior Management on an annual basis. The Employees are provided with the Code and the Five Lights at the time of joining. At every point in time and at every engagement, the significance of 'the Spirit of Murugappa Group' is highlighted.

Board's commitment to Corporate Ethics to permeate an Ethical Culture

The Company is also guided by the values and beliefs

represented by the Five Lights - spirit of the Murugappa group - signifying Integrity, Responsibility, Passion, Respect and Quality in all its activities and processes followed.

Integrity: We value professional and personal integrity above all else. We achieve our goals by being honest and straightforward with all our stakeholders. We earn trust with every action, every minute of every day.

Passion: We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in anything that we do.

Quality: We take ownership of our work. We unflinchingly meet high standard of quality in both what we do and the way we do it. We take pride in excellence.

Respect: We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

Responsibility: We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.

The processes followed by the Company are devised keeping in mind the Murugappa group's values and beliefs and the commitment to uphold the highest value standards with all stakeholders. The Human resources division ensures that the employees recruited for the Company have value systems aligned with the Company's value standards. The team also encourages the employees to ensure transparency and fair dealing in all their activities. The unit head, the plant head, HR head of the unit closely interact with the employees to understand whether the practices and processes followed are in true spirit. The significance of ethical conduct is also passed on in all their engagements with the employees.

Board Emphasise on Ethics

The Board of Directors have established a standard process

through the Code that the Employees while joining the Company are to be provided with the Company's Code of Conduct ('Right Path') and an affirmation that the employee will remain committed to the Company's value standards be obtained. Similarly, the Directors newly appointed by the Board are also provided with the Code of Conduct and an affirmation to that effect is also obtained. A Director's handbook giving details of a Director's duties and code is also provided to the newly appointed Directors. Further, the Board of Directors and Senior Management on an annual basis affirm compliance to the Code of Conduct. Apart from these processes, the ethical issues, if any, are addressed to the Audit Committee through the Whistle Blower Policy of the Company. The employee or any other concerned may also escalate any issue, if found, to the HR Head/Division Head/Ombudsman/to any senior person of convenience.

Identification and resolution of the conflict of interest

The procedure involved in identification and resolution of conflict of interest of any Director is as hereunder:

- (a) Apart from the Director's own self, the list all of such entities in which he is interested and those which are related parties are identified basis the disclosures provided by the Directors to the Company and circulated to the internal stakeholders viz., Finance, Secretarial team etc. Related Parties & Interest in other entities are identified pursuant to the definitions prescribed in the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (b) As per the Related Party Transaction policy of the Company, any transaction with Related Parties is undertaken only with the prior approval of the Audit Committee. If the said related party transaction (RPT) is not at arm's length and on the ordinary course of business, then the approval of the Board is sought before entering into such transaction. In case a Director is interested in any transaction, then such Director does not participate in the meeting and therefore does not vote in respect of that transaction.
- (c) Further, if the transaction value exceeds a threshold limit as prescribed under the Related Party Transaction policy, then the same is placed before the shareholders for approval even if the transaction is at arm's length and on the ordinary course of business. While voting on such

transactions, all the related parties are abstained from voting, irrespective of whether they are a party to the transaction or not.

- (d) The Audit Committee on a quarterly basis reviews the related party transactions placed before it for review.

As per the Code, an employee shall not choose or select a supplier or vendor on personal equations, simply because he is a relative or a friend. In case the selection criteria meets with the standards stipulated with the Company, then the relationship of the employee with such person shall be disclosed to the Management and the employee shall ensure that the vendor/supplier complies with all the other terms and conditions listed in the agreement. Further, the employees concerned shall ensure that suppliers/vendors are paid as per the terms and timelines as agreed upon during the contract. Any short payment/non-payment/penalties would be in line with the agreement and not done arbitrarily.

Whistle Blower Policy

The Policy is intended to cover genuine and serious concerns that could have a large impact on CUMI, such as actions (actual or suspected) that:

- May lead to incorrect financial reporting;
- Are not in line with applicable Company policy;
- Involve any instance of bribery, embezzlement or misappropriation;
- Amount to unethical behaviour;
- Amount to actual or suspected fraud;
- Violative of Company's code of conduct
- Are unlawful or;
- Otherwise amount to serious improper conduct.

The safeguards provided under the said policy are:

Harassment or Victimisation:

- a) Intolerance for harassment or victimisation of the Complainant which could constitute sufficient grounds for dismissal of the concerned Employee or Director involved in such harassment or victimisation.
- b) Any complaint of harassment or victimization by a Complainant be addressed promptly, and the relevant Employee or Director named in such harassment or victimization complaint to prove that the allegations

made in the complaint are not true/do not amount to harassment or victimisation.

Confidentiality:

- a) Protection of the Complainant's identity, subject to legal constraints, by all persons who are involved in handling the complaint and those who receive any information in relation to such complaint.

Anonymous Allegations:

- a) Complainants to mention their names to allegations as follow-up questions and investigation to be possible only if the source of the information is identified. Concerns expressed anonymously will not be usually investigated but subject to the seriousness of the issue raised, the Ombudsperson can initiate an investigation independently.

Malicious/ Frivolous Allegations:

- a) Malicious, frivolous or baseless allegations by Employees or Directors to result in disciplinary action against such Employee or Directors.

Verification of ethical antecedents of prospective suppliers / external service providers

CUMI advocates a fair and transparent policy in the selection of vendors/suppliers/agencies. All suppliers/vendors are treated as associates in business. The suppliers/vendors are selected through a process of impartial evaluation based on deliverable capabilities, price, quality, service, reliability and integrity. The Company conducts its business only with those suppliers and vendors who comply with the legal and ethical standards laid by the Company or the statutory laws of the State. This includes issues pertaining to labour, non-disclosure of customer/company information, ethical manufacturing practices etc.). Samples provided by the suppliers are tested whether the same would suit the requirement of the Company and quotations from more than three suppliers are obtained and compared. The supplier's relationship with the Company, quality and delivery timelines are the prime factors for selection of a supplier/service provider. The Company ensures that the proprietary information of suppliers/vendors is duly protected.

Mechanism to ensure gender safety

CUMI recognises fundamental rights of gender equality, right to life and liberty, and the right to work with human dignity. The policy on sexual harassment applies to men and to women; to similar and opposite gender relationships; relationships between superior and subordinates; and to peer relationship.

Our employees, customers, vendors, consultants and anyone else doing business on the Company's premises are bound to comply with this policy. CUMI is unequivocally committed to institute measures to avoid, eliminate and if necessary, impose punishment for any act of sexual harassment, such as physical contact and advances; a demand for sexual favours, sexual innuendoes and any pornographic depictions.

To ensure a safe and secure workplace environment for all the employees especially women work force, 'Mitr', a committee to address the sensitive issues related to women employees has been constituted. The committee meets every quarter, at different locations of the Company to discuss and share work place experiences and suggest improvement methods for gender equality. The recommendations/issues raised in this committee is discussed with the management and follow up action is taken as deemed fit. This is to ensure a safe and secure workplace environment, for all employees, especially women. Further, as per a policy on prevention of Sexual Harassment at workplace, an Internal Complaints Committee (ICC) has been set up to redress any complaint regarding sexual harassment.

Ensuring compliance and transparency in financial and accounting practices and procedures

Standard Operating Procedures (SOPs) are laid down wherever necessary to guide the employees in handling the financial transactions as per the accounting practices and procedures. All the financial transactions are processed with the approval of multiple executives of the Company through a workflow managed in an ERP system, thus ensuring accuracy and transparency.

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. The controls have been designed and categorised based on the nature, type and the risk rating. The Internal Audit team evaluates the effectiveness and adequacy of internal controls, compliance with operating systems, policies and procedures of the Company and recommends improvements, if any. Significant audit observations and the corrective/preventive action taken or proposed to be taken by the process owners are presented to the Audit Committee. Annual review of adherence to the agreed action plan is carried out. The scope of Internal Audit is annually determined by the Audit Committee considering the inputs from Statutory Auditors and management. Capital and revenue expenditure are monitored and controlled with reference to approved budgets. Investment decisions are subject to formal detailed evaluation and approval according to schedule of authority in place. Review of capital expenditure undertaken with reference to benefits

forecasted is done. Physical verification of assets is periodically undertaken. The Audit Committee reviews the overall functioning of Internal Audit on a periodical basis. The Committee also discusses with the Auditors periodically on their views on the financial statements including the financial reporting system, compliance with accounting policies & procedures and the adequacy/effectiveness of the Internal Control Systems in the Company.

The adequacy of Internal Financial Controls existing in the Company to ensure orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and the timely preparation of reliable financial information is ensured by:

- Documentation of the risks and controls associated with the major processes;
- Validation and classification of existing controls to mitigate

risks;

- Identification of improvements and upgrades to the controls;
- Improving the effectiveness of controls on residuary risks through data analytics;
- Performing testing of controls;
- Implementation of sustainable solutions to Internal Audit observations;

The CEO & CFO on a quarterly basis provide a confirmation to the Board on matters relating to integrity of financial statements. On a quarterly basis, the Statutory Auditors conduct a limited review of the financial results of the Company and on an annual basis the financial statements of the Company are audited. The Statutory Auditors also give their audit opinion on the Internal Controls on Financial Reporting on an annual basis. The Internal Auditors (external consultants) of the Company appointed by the Board also review the practises and procedures followed.

▶▶▶ Edelweiss Financial Services Limited, Mumbai

- **Credit Risk** – Early Warning Signals
- **Market Risk** – Limit breaches
- **Technology Risk** – Negative result in continuous vulnerability assessments
- **Operational Risk** – Trend emerging from incident reporting
- **Fraud Risk** – Negative alerts from Scorecards

Alignment of risk process with ISO 31000

Risk framework implemented at Edelweiss mirrors the elements recommended in ISO 31000 frameworks. In line with the ISO framework, Edelweiss framework also covers establishing the context, risk identification, risk assessment & evaluation, devising risk mitigation actionable, monitoring and reporting of the actionables and feedback mechanism

Whistle Blower Policy

The Company has implemented a well-defined Whistle Blower Policy which in line with Legislative, Regulatory Requirements and prepared post benchmarking with the peers. In addition to various formal reporting platforms for reporting complaints, the company has also created an informal platform 'DiKiBaat' for all the employees of the organization to freely

connect and share information with the Chairman.

All the complaints and suggestions received on the various portals are treated with utmost confidentiality by the relevant Committee.

Strategy for managing Risks

"We will respect Risk", was identified as one of the most important Guiding Principles. The Guiding Principles were laid down under the guidance of Mr. N.R. Narayana Murthy, Founder Infosys Technologies Limited by the founders of Edelweiss Financial Services Limited, Mr. Rashesh Shah & Mr. Venkat Ramaswamy. Since then the Guiding Principles have been 'the passport to Edelweiss' for any new recruits.

At Edelweiss we are not averse of taking the risk, in fact, taking the relative and calculated risk is the reason for our existence. Therefore, as part of Organizational strategy, all our decisions in Edelweiss are evaluated based on our decision making mantra "Is it worth it?" and "Can we afford it?"

Edelweiss has built an in-house "Eight-risk framework" coupled with "Four-tiered risk governance structure" which protects Edelweiss and ensures that risk is contained.

To instill a strong risk culture and consciousness, we conduct Risk Culture Survey and risk management is also an integral part of performance appraisal process.