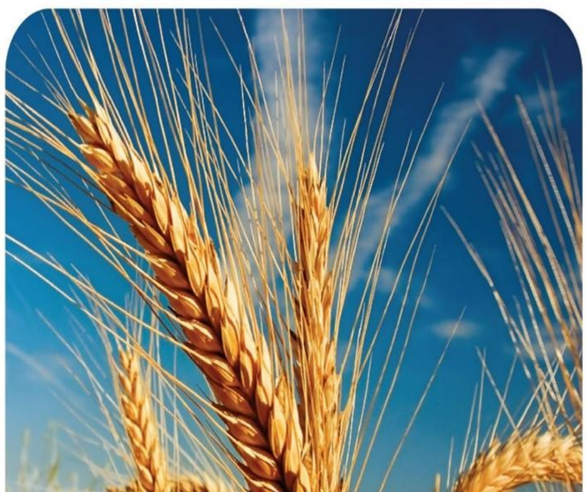

Jubilant Agri and Consumer Products Limited

# Risk Management Policy

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## 1. Introduction

**Background:** Jubilant Agri and Consumer Products Limited ("JACPL" or "the Company") is a well-diversified Company of Jubilant Bhartia Group engaged in Manufacturing of Performance Polymers, Chemicals and Agri Products.

**What is ERM?**

Enterprise Risk Management (ERM) is a strategy that businesses use to handle potential threats and opportunities affecting their goals. It's about foreseeing risks and setting up plans to keep the business on track.

With the changing business environment and the growing diversification of Company, JACPL and its affiliates are exposed to various risks from operational, regulatory, financial and strategic perspectives. The Board of Directors is committed to fostering an environment within the company that enables proactive identification, assessing, management, monitoring, reporting of various risk and controls that the Company requires. This Risk management policy document is created in furtherance of the Company's commitment towards management of risks that can impact a business.

## 2. Legal Requirement

This Policy is formed in compliance with the following Regulations-

**a. Companies Act, 2013**

- **Section 134 (3)**: The Board's Report shall include "a statement 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."
- **Section 177 (4) (vii):** The Audit Committee is responsible for evaluating the company's internal financial controls and risk management systems.

**b. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI (LODR)"]**

- **Regulation 21 and Part D of Schedule II: Risk Management Committee**: Listed companies are required to constitute a Risk Management Committee. The role of this committee includes:
    1. Formulating a detailed risk management policy.
    2. Overseeing the implementation of the risk management policy.
    3. Monitoring and reviewing the risk management plan.

- **Regulation 34:** This regulation requires listed companies to include a "Management Discussion and Analysis" (MD&A) section in the Annual Report, which covers risks and concerns. The Board Report should reference this section, discussing how risks are identified and mitigated.

## 3. Purpose

The purpose of this Enterprise Risk Management (ERM) Policy is to support company's strategic and operational objectives by:

- **Identifying and Managing Cross-Enterprise Risks:** To recognize and manage risks that may affect multiple parts of the organization, ensuring a coordinated response to these risks.
- **Enhancing Risk Response Decisions:** To provide a structured and coherent approach to identifying, evaluating, and addressing risks, ensuring that the responses are effective in mitigating risks to an acceptable level.
- **Reducing Operational Losses:** To proactively identify potential risks and implement controls and measures to prevent, or reduce the impact of, unforeseen events.
- **Improving Risk Reporting:** To enhance the quality of risk reporting to stakeholders, including the board of directors, investors, employees, and other interested parties.
- **Complying with Legal and Regulatory Requirements:** To ensure that the organization meets all legal and regulatory requirements related to risk management practices.
- **Continuously Improving Risk Management**: To commit to the ongoing improvement of the risk management framework and practices through regular review and adaptation to new challenges and changes in the external environment.

This policy is intended to provide the foundation for the development of a robust ERM framework that integrates risk management into the company's culture and day-to-day operations.

## 4. Policy Statement

JACPL is committed to achieve its strategic objectives through the implementation of a robust Enterprise Risk Management (ERM) framework that is based on industry standards and encompassing all enterprise-level risks that the organization may face internally or externally under different categories such as Strategic, financial, operational and regulatory risks. It is our policy to systematically identify, assess, manage, and monitor risks that could affect the organization's ability to meet its goals.

## 5. Objectives

The Enterprise Risk Management (ERM) Policy is established with the following objectives to guide in managing its risk profile effectively:

- **Integration of Risk Management:** To integrate risk management practices into the strategic planning, decision-making processes, and daily operations at all levels of the organization.
- **Risk Identification and Assessment:** To systematically identify, analyse, and assess risks that could impede the achievement of the organization's objectives, ensuring a proactive approach to risk management.
- **Risk Prioritization:** To prioritize risks based on their potential impact and likelihood, focusing attention and resources on the most significant risks.
- **Risk Mitigation and Control:** To develop and implement risk response strategies that reduce, transfer, accept, or avoid risks to acceptable levels in line with the organization's risk appetite.
- **Risk Monitoring and Reporting:** To establish continuous monitoring and regular reporting of risks and the effectiveness of risk responses, ensuring that management and the board are well-informed about the risk profile.
- **Compliance with Regulations:** To maintain compliance with all applicable laws, regulations, and industry standards related to risk management.

These objectives are designed to provide a clear direction for risk management activities and to support the organization in achieving its overall mission and vision.

## 6. Scope and Applicability

The scope of this policy includes but is not limited to **risk management activities** including risk identification, assessment, prioritization, mitigation, monitoring and reporting. It outlines the requirements for **internal and external communication of risk-related information,** including **the frequency and format of risk reporting**. Also, it **defines the roles and responsibilities** of the board of directors, executive management, risk management function, business unit leaders, and all other employees in the risk management process.

This Enterprise Risk Management (ERM) Policy is **applicable to all businesses, employees, and processes of the company including subsidiaries.**

## 7.Definitions

1. **Risk:** Any event (or non-event) that if occurs (or does not occur), can adversely affect the objectives and existence of the company. The risks may be internal or external to the company; may or may not be directly influenced by the company and may arise out of routine or non-routine actions of the company.
2. **Contributing Factors:** The casual drivers that affect either the likelihood of occurrence or severity of business impact attributed to any risk. These can typically be related to people. Process, technology or any external factors.
3. **Likelihood:** The probability of a task occurring over a predefined time period.
4. **Impact:** The extent to which the risk, if realized would affect the organization. Impact may be financial, operational, reputational or legal/regulatory sanctions related.
5. **Risk management:** A coordinated set of management activities defined by the company to identify, assess, direct and control the risks attributed to the business.
6. **Risk Register:** A compilation of risks identified during the annual risk identification exercise. The risk register should

be amended twice a year to include emerging risks, if any.

7. **Risk Management Committee (RMC): Committee constituted by the Board** consisting of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director and other senior executives of the Company**.**
8. **Priority risks**: Prioritized risks (Typically with significant impact and likelihood) that are derived from the risk register. Since these risks warrant more focus. The company is expected to document the mitigation strategy corresponding to these risks.
9. **Risk mitigation plan:** Measures (existing and proposed) to mitigate, monitor and transfer the priority risks.
10. **Risk Owner:** Person, department or entity with the accountability and authority to manage a risk.

## 8.Risk Management Framework

Risk management framework comprises the following:

**Board of Directors** → **Risk Management Committee** → **Enterprise Risk Management Council** → **Risk Owners**

**Board of Directors:**
Shall be responsible for framing, implementing and monitoring the risk management. This will be achieved by review of the risk assessment and minimization procedures across the company post review and recommendation of the Risk Management Committee ('RMC').

**Risk Management Committee:**

a. To formulate a detailed risk management policy which shall include:
   - A framework for identification of internal and external risks specifically faced by the listed entity, including strategic, operational, financial sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
   - Measures for risk mitigation including systems and processes for internal control of identified risks.
   - Business continuity plan.

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

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

d. To periodically review the risk management policy, at least once in two (2) years, including by considering the changing industry dynamics and evolving complexity.

e. To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken

f. 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.

g. Advise the Board on the Company's overall risk tolerance and strategy

h. Oversee and advise the Board on the current risk exposures and future risk strategy of the Company

i. Review the Company's overall risk assessment processes, the parameters used in these measures and the methodology adopted.

**Enterprise Risk Management Council**

a. Establish key enterprise risk management objectives, strategies and guiding principles

b. To ensure proper identification & prioritization of key risks.

c. ERM Council to ensure, in the most scenarios, that it will have the ability to satisfy its liabilities when they become due, in both normal and stress testing conditions, without incurring unacceptable losses or risking damage to the company's reputation

d. For key risks, co-ordinate development of mitigation plans with the risk owner

e. To oversee key risk management activities

f. Submit mitigation status to the RMC

g. Head- Internal Audit is part of ERM council shall be responsible for monitoring risk management activities.

h. As an additional means of reassurance, the Board or Risk Management Committee may direct Head- Internal Audit to provide an independent report with respect to consistent practices with company's risk strategy, policies and implementation status of mitigation plans with respect to certain risks.

i. Head- Internal Audit to update Risk Management Committee on the results of risk management reviews and assessments as well as all relevant risk reports of the Company.

<u>**Risk Owners/ Mitigation Plan Owners**</u>

**a. Head of the Department/ Function:**

- Drive the risk management process within the respective business and functions
- Review and update business/ function wise risk register to include newly emerging risks and modify existing risks
- Review mitigation plans and ensure timely implementation
- Ensure Risk Management is part of the decision-making process
- Periodic update on risk and mitigation status in business/ functional review meetings to CEO & MD

**b. Other Risk Owners:**

- Risk owners are responsible for timely implementation of the mitigation plans assigned to them.
- Periodic certification on their effectiveness.
- Timely submission of implementation status and evidence.
- Periodic update to ERM council on risk and mitigation status.

**1. RISK MANAGEMENT PROCESS:**

Risk Management is a continuous process of identifying, prioritizing, mitigating, monitoring and reporting of the risk implementation status. It consists of following stages:

**a. Risk Identification/ Refresh:**

**Risk Identification:** The risk assessment exercise starts with understanding the potential risks that may restrict the company to meet its annual plans and business objectives. It involves identifying the risks based on detailed study of business processes and inputs from Senior Management that require attention and monitoring and creating the risk register. Risks may be classified into the following broader categories:

- **Strategic risks:** Risks that affect or are created by an organization's business strategy and strategic objectives. For example - Competition, Growth, Innovation, etc.
- **Operational risks:** Risks that affect an organization's ability to execute its strategic plan. For example -Environment, Health & Safety, IT Security/ Access, Procurement & Inventory, etc.
- **Compliance risks:** Risks relate to legal and regulatory compliances. For example- Failure to address changes in government policies from time to time, Ethics, Accounting, Reporting and Disclosure, Tax Compliance and Audit Management, etc.
- **Financial risks:** Risks include areas such as credit risk, forex risk, interest rate risk, market, liquidity, financial reporting, etc. Financial risk management to protect the Company from certain risks such as realization of trade receivables in various foreign currencies, exposure of borrowings in difference currencies, floating and fixed rate of interest and price fluctuations on input materials and other economic conditions.

**Risk Refresh:** Risk Refresh is a continuous activity which ensures that new emerging risks are identified & included in Risk register for prioritization. The Risk register shall be reviewed on half yearly basis by ERM Council for identification of new risks/ modification of the existing risks.

**b. Risk Prioritization:** Risk Prioritization is the process of rating the risks to identify those risks which may have the most significant impact on the achievement of the stated goals and objectives of the business. The risks identified during risk assessment exercise are mapped on the criteria of Risk Impact, Risk Rating, Likelihood etc. as defined for the company. Risk analysis and prioritization to be carried out by the based on below mentioned factors:

- **Impact:** Extent to which risk event might affect the company
- **Likelihood:** The possibility that a given risk event will occur

**Impact Criteria Definition:**

| Criteria | Financial | Operational | Regulatory | Rating |
|---|---|---|---|---|
| Very High Impact | Impact on EBITDA of 10% and above | Significant controls do not exist/may result in closing of operations for a long period of time | Statutory Penal Action/Substantial default, penal and interest charges/ impacts going concern | 5 |
| High Impact | Impact on EBITDA between 7.6% to 10% | Significant controls exist but are not working | Statutory scrutiny. Local Action. | 4 |
| Medium Impact | Impact on EBITDA between 5.1% to 7.5% | Significant controls are only detective but not preventive/ non-existence of other controls | Any local scrutiny. | 3 |
| Low Impact | Impact on EBITDA between 2.6% to 5% | Significant controls are preventive, but deviations are not acted upon/ non-operational of other controls and monitoring | Immaterial default charges. | 2 |
| Very Low Impact | Impact on EBITDA of 2.5% or less | Controls are preventive, detective and monitored but scope for improvements in the process | No legal consequence | 1 |

**Likelihood Criteria Definition:**

| Criteria | Definition | % Probable Occurrence | Rating |
|---|---|---|---|
| Almost Certain | Very High, almost a routine feature, every month within the immediate next 12 months | > 90% probability of occurrence | 5 |
| Highly Probable | High, may arise several times within the next 12 months | 61% to 90% probability of occurrence | 4 |
| Probable | Possible, may arise once or twice within the next 1 to 3 years | 41% to 60% probability of occurrence | 3 |
| Somewhat Probable | May occur once or twice between 3 to 5 years | 10% to 40% probability of occurrence | 2 |
| Least Probable | Risk may occur once in 5 years | Less than 10% probability of occurrence | 1 |

**Risk Rating:** Risks are prioritized based on Impact (A) and Likelihood (B) in the overall company profitability to assess risk at the company level.

| Weighted Risk Score = (A*B) | |
|---|---|
| **Score** | **Rating** |
| **0 to 5** | **Very Low** |
| **5 to 10** | **Low** |
| **10 to 15** | **Medium** |
| **15 to 20** | **High** |
| **20 to 25** | **Very High** |

**For Example:** Considering a scenario where shortage of capacity is threatening the organisation's ability to generate competitive profit margins and meet customers' demands at competitive prices.

- **Impact:** As an operation and financial measure, significant controls are preventive, but deviations are not acted upon/ non-operational of other controls and monitoring and between 2% to 5%. This is an operational risk. Therefore, the Impact criteria will be Medium with a Rating of 3.
- **Likelihood:** Such kind of event may arise several times within an year. Therefore, Likelihood of such an event is Highly probable with a rating of 4

**Risk Score will be (3X4)= 12 which is Medium**

c. **Risk Mitigation Plan:** Risk mitigation is process of taking actionable steps to address the identified risks to mitigate them or reduce them to the tolerable level. Response to a risk has to be considered in light of costs to be incurred and consequent benefits (typically measured in terms of as estimate of the quantum of reduction in risk exposure). Risk owners to prepare detail plans to mitigate the identified risks and also set-up systems and processes for internal control of identified risks.

Risk Mitigation process is broken down into the following activities:

- Root cause analysis to identify risk drivers
- Development of mitigation strategies
- Development of detailed mitigation plans with proper ownership and implementation timelines
- Optimum risk coverage for identified insurable risks

d. **Risk Monitoring:** Risk monitoring is a process of reviewing and ensuring mitigation plans are implemented. The following activities shall be carried out:

- Review of risk register on periodic basis by risk owners and business head
- Mapping of the implementation status by risk owners
- Review of implemented plans and measuring the results
- Usage of Appropriate risk assessment tools and techniques

To focus on key risks, following criteria shall be considered for risk monitoring at Council level (Illustrative):

- Top five risks at each process,
- Top five risks at each location
- Top five risks at each business and
- Top ten risks at enterprise level or as may be decided by RMC

Both the methods of monitoring viz. self-certifications (by process owners/ ERM council) as well as review by Head – Internal Audit would be used for adherence and effectiveness of the risk management process.

e. **Risk reporting**

- A formal report on Priority Risks, Risk mitigation controls and actions will be submitted to the Committee.
- RMC shall review and advice the board on half yearly basis on the overview of the Risk Management process in place and status of Risk Management activities. Also, RMC to keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken.
- The summary of the Risk Report shall also be included in the half yearly submissions made by the committee to the Board. It shall include status of implementation of the mitigation plans for key risks, new risks identified along with actions taken with regard to these risks.
- The Business Risks reporting would be done while publishing annual financial statements as per the clause 49 requirements. Risks which could threaten the existence of the company would be reported in financial statements.

## 9. Review and Amendment

The Board may amend, modify or revise any or all provisions of this Policy on the recommendation of the RMC. RMC to periodically review the Risk Management policy at least once in two years. In case any provision(s) of this Policy is contrary to or inconsistent with the provision (s) of the applicable laws, the provision(s) of the applicable laws shall prevail. Further, amendments in the applicable laws shall be binding even if not incorporated in this Policy.

This Policy has been approved by the Board on November 04, 2024 . It shall be effective from November 04, 2024

Jubilant Agri and Consumer Products Limited

# Risk Management Charter

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## 1. Background

In today's complex and dynamic business environment, the identification, assessment, and management of risks are critical to the sustainability and success of any organization. As company, continues to grow and expand its operations, the need for a systematic and integrated approach to managing risks becomes increasingly important.

The ERM framework is designed to be comprehensive, capable of addressing a wide array of risks that the organization may face. These include, but are not limited to, strategic, operational, financial, technological, regulatory, and reputational risks.

Risk Management Committee (RMC) is established as an essential component of the organization's Enterprise Risk Management (ERM) framework. The committee is tasked with providing oversight and guidance on risk management practices across the organization, ensuring that all business activities align with the company's strategic objectives and risk appetite.

The RMC Charter lays the foundation for the committee's operations, providing clarity on its purpose, authority, and responsibilities. It serves as a guide for the RMC's activities and is intended to ensure that the committee's efforts are coordinated, consistent, and contribute to the achievement of Company's overall mission and vision.

By formalizing the risk management process through the establishment of the RMC and the adoption of this charter, Company's demonstrates its dedication to excellence in governance and its resolve to manage risks in a manner that promotes transparency, accountability, and continuous improvement.

## 2. Purpose

The charter defines the committee's role, responsibilities, authority, and structure. It outlines how the committee functions within the organization's governance structure ensuring that they are effective, efficient, and aligned with the company's strategic goals. It defines the responsibilities and duties of the RMC, including risk assessment, mitigation, monitoring, and reporting, to ensure accountability and transparency in the risk management function. It ensures that risk management activities comply with relevant laws, regulations, and standards, and that the organization responds appropriately to regulatory changes.

## 3. Composition and Constitution of committee

- The Board shall constitute the Committee as per the provisions of the applicable law. The Committee shall comprise of minimum three (3) members, majority of which shall be members of the Board including at least one Independent Director apart from the senior executives of the Company. Senior Executives may be appointed as members of the Committee.
- The Chairperson of the Committee shall be a member of the Board of Directors and Senior Executives of the Company may be members of the Committee.
- In the event that a member of the Committee retires, is removed or resigns from the Board, such member shall cease to be a member of the Committee.
- Members of the Committee shall be appointed by the Board and may be removed by the Board, at its discretion.
- If a member of the Committee for any reason ceases to be a member with the result that the number of members of the Committee is reduced below three (3) persons, the Board shall immediately appoint such number of new members as required while ensuring that Chairman and majority of members of the Committee are from the Board of Directors.
- The Company Secretary of the Company (the 'Secretary') shall act as the Secretary to the Committee.

## 4. Meeting and Proceedings

1. **Calling of meetings**
    - The Committee shall meet at least twice in a year. The Committee shall have an authority to convene additional meetings more than twice in a year in case necessary for effectively discharging its functions.
    - Any Committee member or the Secretary (at the request of any Committee member) may call a meeting of the Committee.
    - The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings.
    - Meetings of the Committee may be attended by other executives as per the invitation of the Committee.

2. **Notice of meetings:** Seven (7) days' prior notice or at shorter notice as permitted under the law shall be given by the Secretary specifying the place, date, time and agenda of the meeting. The notice will include relevant supporting papers for the agenda items to be discussed, which should be relevant, clear, complete and concise.

3. **Decisions/ Voting**
   - All decisions at any meeting of the Committee shall be decided by a majority of votes of the Committee members present and voting. Decision of the Committee shall at all times exclude the vote, approval or recommendation of any member who has a conflict of interest in the subject matter under consideration.
   - Each member shall have one (1) vote.

4. **Quorum:**
   - Two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance shall form a valid quorum for a meeting of the Committee.
   - Members may attend the meetings either in person or through video conferencing or any other mode permissible under law. A person so participating shall be deemed to be present at the meeting.
   - A person attending through video conference shall be counted in quorum for the meeting.

5. **Minutes**
   - Minutes of proceedings and resolution of committee members shall be recorded by the Secretary and circulated to all members.
   - The minutes shall be signed by the chairman of the meeting or by the chairman of the next succeeding meeting.
   - The minute books shall be kept by the Secretary at the registered office of the Company or at such other place as may be approved by the Board and shall be open to inspection by any member of the Committee.

## 5. Roles, Responsibilities and Power:

- To formulate a detailed risk management policy which shall include 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
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
- To obtain advice from auditors or lawyers or experts, retain services of external consultants for redressing issues relating to and arising from risk management framework as it may deem appropriate and to secure their attendance.
- To call for any information, documents, records from any officers of the Company for ascertaining the adherence to the policies, procedures and standards laid for monitoring, evaluating and reporting of risks.
- Approving additional resources required for implementation and management of action plan and activities identified for risk.

## 6. Reporting and Evaluation:

- RMC to review the risk management policy, at least once in two (2) years, including by considering the changing industry dynamics and evolving complexity.
- RMC shall review and advice the board on half yearly basis on the overview of the Risk Management process in place and status of Risk Management activities. Also, RMC to keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken.
- The Committee shall apprise the Board on the risk profile of the Company in every financial year.

## 7.0 Review/ Amendment

The terms of reference of the Charter shall be reviewed by the Board in compliance with the listing regulations, the Companies Act and Rules/ Regulations made thereunder.

This Charter can be amended as and when it deems necessary under the amendments in accordance to the provisions of the Companies Act 2013 and the SEBI (Listing Obligations and Disclosure Requirements) to ensure it meets the requirements of legislation and the needs of organization by the Board of Directors of the Company on the recommendation of the Risk Management Committee. In case any provision(s) of this charter is contrary to or inconsistent with the provision (s) of the applicable laws, the provision(s) of the applicable laws shall prevail. Further, amendments in the applicable laws shall be binding even if not incorporated in this Charter.