J. B. CHEMICALS & PHARMACEUTICALS LIMITED

ENTERPRISE RISK MANAGEMENT

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1. Terms and Abbreviations

Sr. No.	Term and Abbreviation	Meaning
1	ERM	Enterprise Risk Management
2	ERM Policy	Enterprise Risk Management Policy
3	CRO	Chief Risk Officer
4	RMC	Risk Management Committee
5	ELT	Executive Leadership Team
6	Committee	Group of persons with specific knowledge or expertise who are appointed and convened under Terms of Reference with a defined mandate
7	Risk	An uncertain future event that if occurs will affect the achievement of the organization/business/project objectives either Negatively (Downside Risk) or Positively (Upside Risk)
8	Risk Appetite	The types and amount of Risk, on a broad level, an organization is willing to accept in pursuit of value
9	Risk Owner	Person with the responsibility and authority to manage an assigned/identified Risk.
10	Risk Register	Record of relevant information about identified Risks.
11	Risk Assessment	Overall process of Risk Identification, Risk analysis and Risk Evaluation
12	Risk Identification	the process of finding, recognizing, and describing Risks
13	Likelihood	Chance of something/Risk Event materialising or occurring.
14	Impact	The impact or consequences on the business if the event was to occur
15	Risk Management Process	Systematic application of management policies, procedures, and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risk
16	Monitoring	Continual checking, supervising, critically observing or determining the status to identify change from the performance level required or expected.
17	Risk Reporting	Form of communication by the Board intended to inform internal or external stakeholders information regarding the current state of Risk and its management.

2. Introduction

JBCPL recognizes that all aspects of its business involve significant risk and that its actions are increasingly exposed to greater scrutiny by the public, regulators, investors, and its stakeholders. Accordingly, the Company must deal with new business challenges and risks. Risk Management is focused at ensuring that these risks are known and addressed through a pragmatic and effective Risk Management process.

In its pursuit to maintain customer centric business approach and grow stakeholders' value, J.B. Chemicals & Pharmaceuticals Limited ("JBCPL" or "the Company") is committed to proactively manage the emerging Risk Impacting its' strategic business objectives and performance.

3. Purpose

ERM Policy stipulates the general Risk management principles to provide guidance on actions which influence key business decisions. It gives a clear Communication of the management's expectations in relation to Risk management practices across JBCPL.

ERM Policy sets out the objectives and elements of Risk management within the organization and promotes risk awareness amongst employees, constituting an organization wide understanding of ERM. The policy statement also addresses the roles and responsibilities of key stakeholders in the Company enabling them to fulfil their Risk management roles and establish formal accountability towards effective Risk management.

This policy acts as a useful reference for those required to provide input into the ERM process as well as those that may wish to leverage this document for their functional business planning, project management and other business transactions. It Improves the organization's Risk management capabilities to provide a competitive edge in the ever-evolving business environment.

4. Scope and Applicability

ERM Policy covers all types of Risks including but not limited to operational, regulatory, finance, strategic, sustainability in particular ESG related risks, cyber security related risks across all levels of the organization, considering evolving internal and external business context of the Company which may further impact the Company's strategic business objectives.

The policy shall apply to all operations, divisions, and geographic locations of the Company, including its international subsidiaries.

5. Objectives

Following are the key objectives of the Risk Management Policy:

- To implement standard Risk Management process across the Company and its subsidiaries
- To embed Risk Management process across critical business decision-making processes
- To proactively provide management with transparent, consistent, and timely risk information

- To lay down procedures to inform the Board members about the risk identification, assessment, reporting and mitigation procedures
- To formalize and communicate consistent approach to managing risks in the Company's activities and to establish a reporting protocol
- To ensure that all significant risks are identified assessed and where necessary treated and reported in the timely manner through Risk Management Committee
- To mitigate/minimize the identified risk,
- To formulate Risk Management Plan
- To establish risk awareness within the Company
- To ensure appropriate disclosure statements in public documents/disclosures

6. Risk Management Policy Governance

The owner of this Policy is the Chief Risk Officer (CRO). The CRO shall be responsible for its custody, maintenance, periodic update, communication, distribution, and its version control.

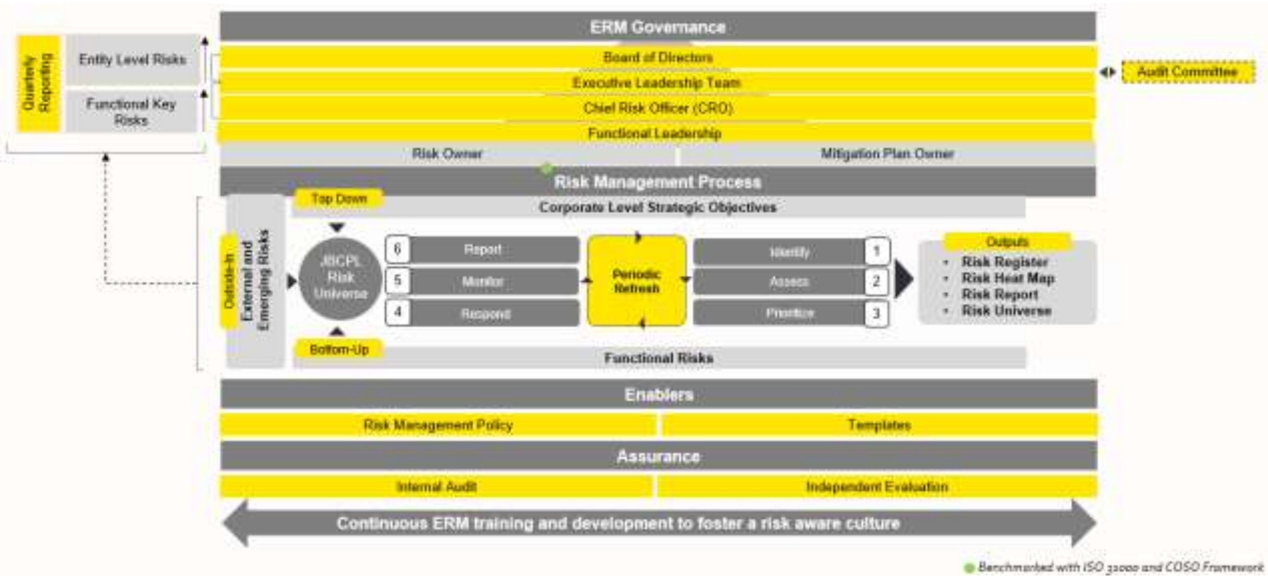
CRO shall monitor the effectiveness and review the implementation of this policy regularly considering its suitability, adequacy and effectiveness. If any changes take place in the above-mentioned drivers the policy may be updated with the required changes if deemed necessary.

Any change in the policy will be proposed by the CRO and approved by the RMC. Any such change shall be communicated to all the stakeholders in the risk management process including the Audit Committee and Board. Any change to the risk assessment methodology shall be performed only after prior approval of the Risk Management Committee.

The ERM Policy does not replace any of the existing policies or compliance programs of the Company.

7. Risk Governance Structure

JBCPL has adopted a Companywide ERM Framework depicted in Figure 1, to guide risk management, reporting and escalation procedures.



Robust organizational structure for managing and reporting Risks is a pre-requisite for an effective Risk Management Process. Every Employee at JBCPL is responsible for effectively implementing the ERM Framework, and enhancing the Risk informed decision-making culture across the Company.

Refer Annexure 1 for detailed roles and responsibilities of key stakeholders.

8. Risk Management Process

The Risk Management Process defines a systematic approach to identify, assess, prioritize, mitigate, monitor and report Risks. This process is scalable and flexible and may be adopted for any type of Risk Assessment activity, such as and not limited to project Risk Assessments, investment Risk Assessments etc.

Defining Risk

A possible event that could lead to reputational damage and cause harm or loss or affect the ability to achieve objectives. A risk is measured by the probability of a threat, the vulnerability of the asset to that threat, and the impact it would have if it occurred. Risk can also be defined as uncertainty of outcome and can be used in the context of measuring the probability of positive outcomes as well as negative outcomes and which may impact the reputation of the company.

8.1 Risk Universe

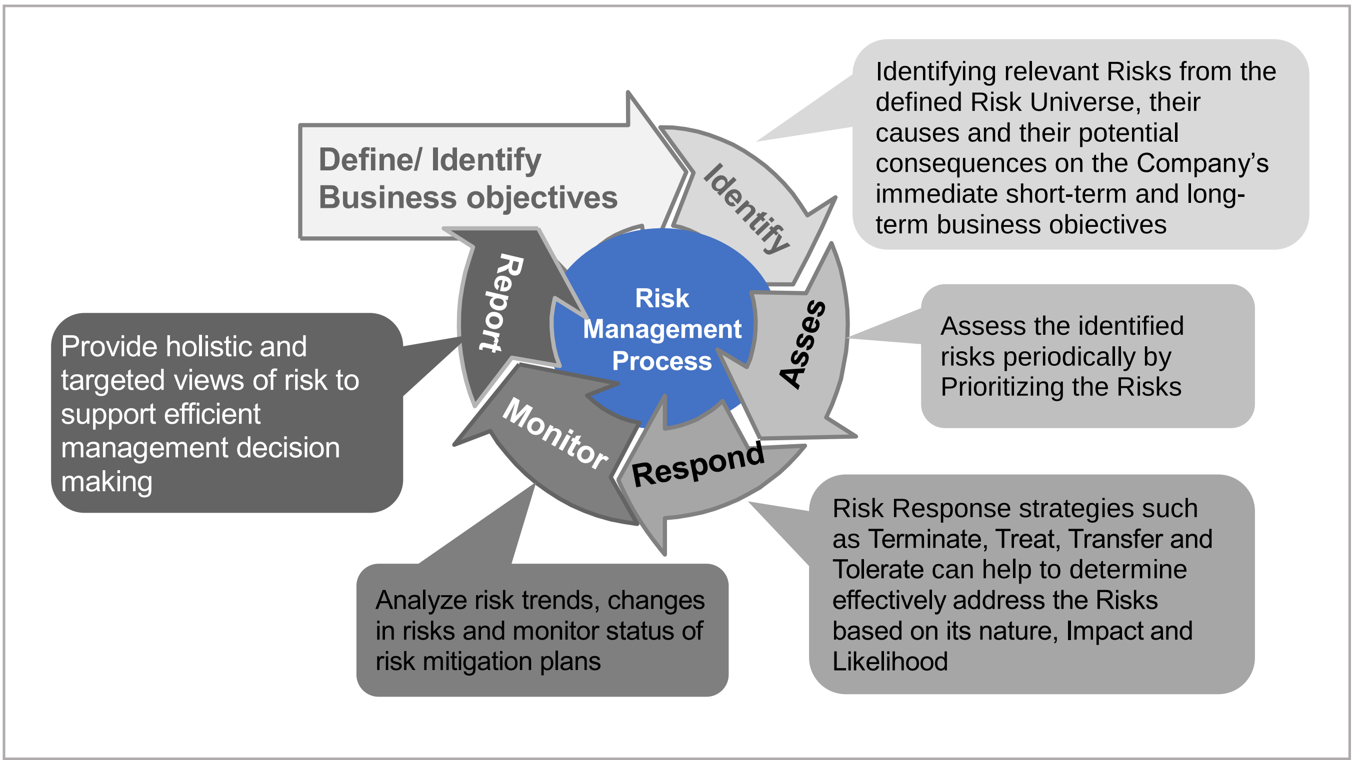
A significant and basic step before commencing the process of identifying relevant Risks, is to set up a Risk Universe which acts as the baseline against which the relevant Risks are identified. Setting up the right context for the business provides an Opportunity to define a Risk Universe for the Company. Thus, business context in the form of Risk Universe must be set before the management which can assist in identifying potential Risks for their various functions. A review of both the external and internal context at the commencement of the Risk Assessment planning assists in identifying the processes/areas which may be vulnerable to Risks.

The following approach should be adopted to ensure a holistic view of setting the Risk Universe for identifying enterprise wide Risks:

- **Top-down approach** - Risks cascading from the strategic business objectives defined by JBCPL under their strategic business plan across various functions
- **Bottom-up approach** – Key Risks from operations or process levels across functions that may be critical to achievement of business objectives and needs to be monitored centrally
- **Outside-in approach** - External and emerging Risks arising from a dynamic business landscape, sectoral advancements and peer group benchmarking, both locally and globally

Based on these three approaches, organization should define a broad Risk Universe to facilitate effective Risk Management Process.

8.2 Risk Management Process



8.2.1 Define/ Identify Business Objectives

The starting point for any Risk Management process is to identify and confirm understanding of the business objectives. This step involves understanding the vision, goals, business strategy and structure of JBCPL in order to identify its objectives and areas that it seeks to safeguard.

The following sources of information should be considered in identifying objectives:

- JB Chemical's mission, vision and goals
- Business strategy
- Business plans/objectives
- Inputs from the Board of Directors
- Departmental objectives
- Project objectives
- Regulatory and Government Policies

It's important to note that over a period of time business objectives may change. It is the responsibility of the CRO, Risk Management Committee and Board to ensure that the risks identified are aligned to achievement of business objectives.

8.2.2 Risk Identification

Risk identification process involves identifying relevant Risks from the defined Risk Universe, their causes and their potential consequences on the Company's immediate short-term and long-term business objectives as defined in strategic business plans, at Corporate and functional level.

Risk identification includes the following activities:

- **Frequency:** While Risk identification must be carried out as a continuous process, Risk identification activity must at least be conducted bi-annually. However, if there is any change in the business process or environment in the interim, then the same should also be considered and reported. This may be achieved by executing an extensive Risk identification exercise that includes stress testing of business objectives, learning from past, leadership directions and key developments in external scenarios impacting JBCPL's business operations.

- **Sources of Risk:** Risk identification should cover internal sources (such as people, process, interdepartmental dependencies, and systems) and external sources (such as competition, technology, business eco system and regulations).

Methodology The following approaches may be used to identify risks:

a) Cognitive Computing: Collect and analyses data to detect future trends and meaningful insight in new and emerging risks while challenging existing ones
b) Data tracking: Past events to predict future occurrences
c) Interviews: Solicit individual's knowledge of past and potential events
d) Key indicators: Qualitative or quantitative measures that helps identify changes to existing risks
e) Process analysis: Develop diagram of a process to understand interrelationships of inputs, tasks, outputs and responsibilities
f) Workshops: Bring together individuals from different functions and levels

- **Developing formal Risk Register:** Once Risks are identified; they shall be formally captured in the Risk Register in the following manner:

  a. Define Risk title and Risk description
  b. Define Risk Owners for all the identified Risks, adopt 'One Risk, One Risk Owner' philosophy to define clear accountability
  c. Define Root Causes and Consequences of the Risk Event

  List of Black Swan Events (unpredictable events that are beyond what is normally expected of a situation and has potentially severe consequences i.e. extremely low probability of occurrence and high impact) should be identified and reviewed on an annual basis

8.2.2.1 Risk Categorization

Identified Risks can be categorized into the following three types of Risks:

- **Strategic Risk** - Risks significant to the organization's ability to execute its business strategy and achieve its objective, strategic Risks are often focused on the Risk Opportunity. Eliminating these Risks, or transferring them, is therefore not an option. It is a balancing act which requires the organization to evaluate "Risk vs. reward."
  Examples: *Market Penetration, Return on assets, Talent Management, etc.*
- **Preventive Risk** - Risks an organization is focused on eliminating, avoiding, mitigating or transferring in a cost-effective manner as they offer no strategic benefits. These types of Risks typically result in negative Impact when an event occurs and can be most effectively managed via a Controls-based approach.
  Examples: *Employee Fraud, Regulatory Compliance, Information Security, etc.*

- **External Risk** - Risks beyond the organization's control: These Risks can be unpredictable as they originate outside of the organization and typically have a low rate of occurrence. Organizations should take actions to cost-effectively reduce the likelihood of occurrence and limit negative effects should the Risk Event occur.

Examples: *Geopolitical, Natural Disasters, Competitive shifts, Tax laws, etc.*

8.2.3 Risks Assessment

All identified Risks should be assessed periodically, at least annually, across functions in alignment with the timing of the organization's business planning cycle to provide an assurance on the completeness and relevance of Risks that matter.

Following activities shall be undertaken to conduct the Risk Assessment:

- Assess the identified Risks for Impact and Likelihood scores by leveraging the standard JBCPL Risk Assessment Matrix. Company may deploy Risk Assessment survey to solicit the Impact and Likelihood rating for the Risks from a wider population of Employees.
- Based on outcome of Risk Assessment exercise, all identified Risks shall be assigned a Risk Rating Score which will be a product of the Impact and Likelihood score.
- Unless required by a discipline specific Risk Assessment, the assessment shall focus on the 'Residual Risk' basis i.e. taking into consideration the existing Controls and their effectiveness to reduce the Impact and Likelihood of the Risk.

8.2.3.1 Inherent Risk Rating

For each identified risk, the inherent risk (risk in the absence of controls) will be assessed. For each risk identified in the risk register, the potential impact and likelihood of the risk are estimated (assuming there are no controls in place to mitigate the identified risk). This process is necessary to prioritize the risks that require mitigation focus. This is recorded on the risk register form and the JBCPL Business risk register for future reference

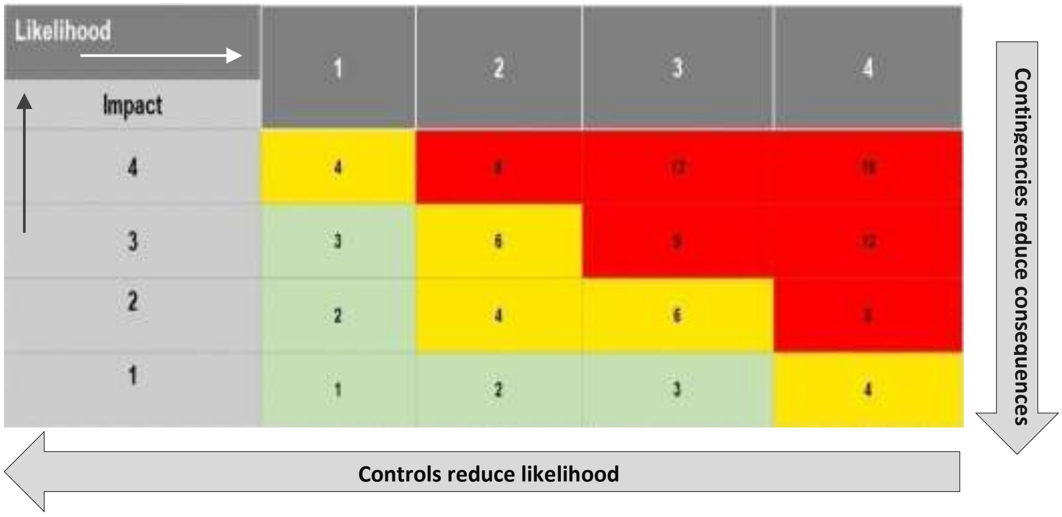
8.2.3.2 Residual Risk Rating

The magnitude of impact of an event, should it occur, and the likelihood of the event, are assessed in the context of the existing controls. Risk Owners shall conduct the assessment of residual risks (i.e. the balance of inherent risk after taking into account the effectiveness of controls). Residual risk is determined by assessing the impact and likelihood of the risk. The same parameters for impact and likelihood determination are used for assessing residual risks as were utilized during assessment of inherent risk. Residual risk is an indication of how well a risk is mitigated.

8.2.3.3 Risk Matrix

The risk can be plotted as shown below on a Risk Matrix to show the level of risks and total risk in the company. Risks are classified as being High, Medium or Low as shown, dependent upon their position on the Risk Matrix

Illustrative



Risk Rating Score = Likelihood Score * Impact Score

For e.g. Rating of a risk with a likelihood score of 4 and impact score of 3 will be 12 (i.e. 4*3)

Refer Annexure 2 for JBCPL Risk Matrix and Risk Heat Map.

8.2.3.4 Risk Prioritization

- Risk prioritization helps to determine the most effective areas, to which resources for Risk mitigation should be applied, with the greatest positive impact on the strategic business objectives.
- Based on the outcomes of Risk Assessment, Risk prioritization shall be done considering the potential Consequences for JBCPL if the Risk were to materialize, and the likelihood of those Risk events occurring.
- Assessed Risks shall be bifurcated into the three Impact zones i.e. Green, Yellow and Red, through Risk Heat Map, based on perceived impact and likelihood level.
- Functions shall define an 'Acceptable zone to operate' basis business operations and strategic choices that the Function has made or is about to make and may accordingly reflect on the Risk heat map.
- Risk prioritization shall provide adequate guidance to define relevant Risk Response strategy and allocate necessary resources to the Risks based on their criticality.
- Based on effectiveness of defined mitigation plans, Risk prioritization should be reviewed and updated on an ongoing basis, at least quarterly, by the Risk Owners and Mitigation Plan Owners.

8.2.4 Risks Response

- Once Risks have been assessed and prioritized, appropriate Risk Response strategy can be determined to reduce the Impact and Likelihood to an acceptable level.
- Risk Owners and Mitigation Plan Owners shall define the most effective Risk Response Strategy to effectively mitigate Risks.

Following are the broad Risk Response strategies that can be adopted to effectively address the Risks based on its nature, Impact and Likelihood:

i. **Terminate**:
   - The Company may decide to avoid the Risk, having detrimental Impact on its strategic business objectives beyond its Risk Appetite, by deciding not to pursue the related business strategy

ii. **Treat:**
   - The Company may define mitigation plans or new Controls to enhance the Control environment by either changing its Impact or Likelihood or both
   - Changing the Likelihood would include enhancing the Likelihood of beneficial outcomes and reducing the Likelihood of negative outcomes
   - Changing the Impact would include increase of gains and reduction of losses

iii. **Transfer:**
   - The Company may decide to share the Risk, usually through some form of contractual or insurance arrangement
   - Under all circumstances, continuous oversight should be maintained on the Risks since the organization continues to be subjected to the exposure of such Risks

iv. **Tolerate:**
   - The Company may choose to accept/tolerate the Risk without further treatment, involving an explicit management decision to retain the Risk

8.2.4.1 Mitigation Plans

- Risk Owners shall identify Mitigation Plan Owners for their respective Risks.
- Mitigation Plan Owners can be different from Risk Owners
- Risk Owners and Mitigation Plan Owners shall assess the effectiveness of existing mitigation action plan or Controls to reduce the impact and likelihood of the Risks to an acceptable tolerance level or whether new Controls/ mitigation plans are required to be defined for effective Risk mitigation.
- Risk Owners shall formally capture their respective mitigation plans in the Risk Register along with implementation timelines for each mitigation plan and existing Control.

8.2.4.2 Assessment of Controls

The effectiveness of the mitigation plan and controls is assessed referring to the table below. The color coding is used only to provide information on the management of the Risks compared to the Matrix below. (Note: the effectiveness score is not used in ranking the Risk).

Scale	Color	Description
1	Red	**Low effectiveness:** Reduction in inherent risk score <30%
2	Orange	**Medium effectiveness:** Reduction in inherent risk score >30% & <60%
3	Green	**High effectiveness:** Reduction in inherent risk score >60%

8.2.5 Risks Monitoring

- Continuous monitoring of Risk is critical to determine occurrence of the Risk and assess effectiveness of the defined mitigation action plans.

- Assessed and prioritized Risks shall be captured in the defined Risk Register Template across Functions by Risk Owners, for effective and ongoing monitoring and reporting.
- Risk review calendars/periodicity shall be defined to ensure Risk Registers are reviewed regularly and across all functions.
- Risk Owners and Mitigation Plan Owners shall ensure Risks, mitigation plans and implementation timelines are assessed and updated timely.
- Risk Co-ordinator shall ensure that bottom-up and top-down information is timely and accurately provided, centrally stored, and aggregated in to provide portfolio view of Risks to the management.
- Risk Co-ordinator shall review inputs received from above mentioned sources and maintain and update the Enterprise Risk Register

8.2.6 Risks Reporting

The purpose of this procedure is to describe the process for monitoring of changing trends of key risks and reporting to senior management on effectiveness of and progress towards the implementation of mitigation measures.

- **Risk Owners:** All risks shall be reviewed by the Risk Owners on a quarterly basis and Risk Owners should provide updates/validation on the same to the CRO in the second month of the quarter. Risk Owners will seek inputs from the mitigation plan owners if the mitigation plan owner is different from the Risk Owner

- **CEO** : Risks having an inherent risk score higher than 3 will be reviewed by the CEO bi-annually to ensure appropriate actions are being undertaken.

- **Risk Management Committee**: Risks having an inherent risk score higher than 3 will be reviewed by the Risk Management Committee on a quarterly basis

- **Audit Committee**: A summary of risks with an inherent risk score of greater than 9 will be reported to the Audit Committee every 6 months.

- **Board of Directors**: All risks with an inherent risk rating of 12 or more and all risks with inherent financial impact rating of 4 will be reported annually by the Board

8.3 Outputs

The deliverables of the Risk Management Process would be as follow:

- Risk Universe: Exhaustive list of all relevant and potential Risks that may Impact JBCPL business strategy and operations
- Risk Register: Listing of prioritized Risks identified at all functions containing the detailed Risk information, along with mitigation plan
- Risk Heat Map: 4*4 Risk Heat Map depicting the Risk Profile of assessed and prioritized Risks I terms of Impact and Likelihood
- Risk Report: Risk reports depict the status of top Risks, prepared, and presented across levels

8.4 Assurance

8.4.1 Internal Audit

- Audit function acts as the third line of defence, providing an independent assurance to JBCPL's Board of Directors and Audit Committee on effectiveness of implementation of ERM Policy as well as Risk mitigation measures.
- Audit function shall leverage updated Risk information for preparing a Risk-informed Internal Audit Annual Plan.
- Audit function shall communicate key audit findings Impacting 'High' rated Risks, and any new Risks identified during the audit assignment to Risk Co-ordinator for updating the appropriate Risk Registers.
- Audit function shall perform reviews of the critical Controls in place for mitigating enterprise level Risks.

8.4.2 Independent Evaluation

- **ERM Framework:** JBCPL Management may conduct independent evaluation for periodic assessment on relevance of ERM Policy and Framework to benchmark JBCPL's ERM process with leading ERM practices and standards.

- **Mitigation Plans:** Existing mitigation plans that have been documented, need to be reviewed to ensure that the same have been implemented. The CRO will review the implementation status of all mitigation plans on an annual basis. The CRO may review implementation status by:

  1) Incorporating the review as part of the internal audit scope or
  2) Engage an Independent Third Party

  Exception report for mitigation plans which have not been implemented as per agreed timelines will be presented to the ELC

9. Risk Management Training

- The overall effectiveness of the ERM program is closely linked to the availability of Risk Management competencies within the organisation.
- Risk Co-ordinator shall develop a formal Annual ERM training plan including, but not limited to, training agenda, training frequencies and duration, mode of delivery, target audience and trainer requirements.
- Risk Co-ordinator shall integrate the training plan with the Company's corporate training calendar in consultation with Human Resources division. Respective business functions shall support by nominating relevant personnel based on the nature of trainings.
- Develop ERM Training and Induction Modules for existing and new Employees and update periodically to ensure training material is updated in line with evolving ERM Policy and Framework.
- Conduct post-training assessment with a minimum defined score required for Employees to complete the module.
- Develop mechanism to capture the feedback from participants on the training content.
- Additionally, all new employees should be provided an introduction on Risk Management at their time of onboarding/induction
- Any employee who brings down or reduces the risk should be recognized and rewarded.

10. Annexures

The following table captures templates referenced in this standard to implement Risk Management Process in a consistent manner across the Company.

Sr. No.	Enablers	Annexure
1	Stakeholders Roles and Responsibilities	Stakeholders%20Roles%20and%20Respor
2	JBCPL Risk Matrix and Risk Heat Map	Risk%20Matrix%20and%20Heat%20Map.p
3	JBCPL Enterprise Risk Register Tracking Sheet	Risk%20Register%20Tracking%20Sheet.xls
4	JBCPL Enterprise Risk Register Guide	Risk%20Register%20Guide.docx
5	JBCPL Enterprise Risk Reporting Template	Risk%20Register%20Template.xlsx