



# Dalmia Bharat Limited

## Risk Management Policy

Version No.: 1.0

Date: 09-05-22

## Table of Contents

1. Purpose .....	3
2. Scope.....	3
3. Objectives .....	3
4. ERM Policy Statement.....	3
5. ERM Governance Structure.....	4
6. Enterprise Risk Management Responsibilities .....	4
6.1 Risk Governance and Oversight .....	4
6.1.1 Board of Directors.....	4
6.1.2 Risk Management Committee .....	5
6.2 Risk Infrastructure and Management .....	6
6.2.1 Chief Risk Officer .....	6
6.3 Risk Ownership.....	6
6.3.1. Unit level Risk Management SPOCs .....	6
7. ERM Process and Framework Overview .....	7
8. Communication.....	9
9. Review.....	9
10. Disclaimer .....	9
Appendix A – Definitions of Common Terms.....	10

## INTRODUCTION

Dalmia Bharat Limited (*hereafter referred to as the "Company"*), acknowledges that it operates in a challenging business environment and given the evolving industry dynamics and regulatory requirements, the Company needs to be well prepared to manage its risks appropriately.

The Company recognizes that risk is inherent to its business operations, and that effective management of risks plays a critical role in facilitating value creation for its shareholders, employees, and other stakeholders.

The Company has laid down a risk management policy (*hereafter referred to as the "Policy"*) that provides guidelines for implementation of Enterprise Risk Management (*hereafter referred to as "ERM"*) framework across the Company. The policy supports the Company's endeavor to design, implement, monitor, review, and continually improve its risk management practices.

This policy provides an overview of the Company's Risk Governance structure and illustrates the roles and responsibilities of various stakeholders within it. It majorly encompasses the following elements:

- Policy Objectives
- Risk Governance Structure
- Enterprise Risk Management Roles and Responsibilities

**The Risk Management policy shall be read with the Enterprise Risk Management Framework**, which lists down the detailed risk management process to be followed to identify potential risks and ensure timely mitigation. The detailed guidance on the risk management process can be found in the ERM Framework.

### **1. Purpose**

The purpose of this policy is to define the requirements around Enterprise Risk Management. This policy sets out the objectives and accountabilities for risk management within the Company such that it is structured, consistent and effective, to drive and thereupon improve the Company's risk management capabilities in a dynamic business environment.

### **2. Scope**

The policy shall apply to all group companies of Dalmia Bharat Limited, including all subsidiaries and step-down subsidiaries of the Company. This policy shall apply consistently across all levels of the Company, covering all operations, management, and employees.

### **3. Objectives**

The objective of this policy is to lay down and establish a structured and disciplined approach to the ERM process for the Company and to facilitate risk informed decision making. The specific objectives of this Policy are:

- Provide a sound basis for Risk Governance practices.
- Promote an effective risk management system that supports the Company's growth strategy.
- Support the achievement of the Company's mission, vision, and strategic priorities in line with its core values, through risk-informed decision-making
- Identify and pursue existing and new opportunities in accordance with the Company's risk appetite, and strategy
- Establish structured processes for identifying, assessing, responding, monitoring, and reporting on risks.
- Facilitate compliance with all applicable regulatory requirements, related to risk management and reporting
- Establish a process to identify and assess risks which can impact business continuity of the Company and define response recovery plans for such risks.

### **4. ERM Policy Statement**

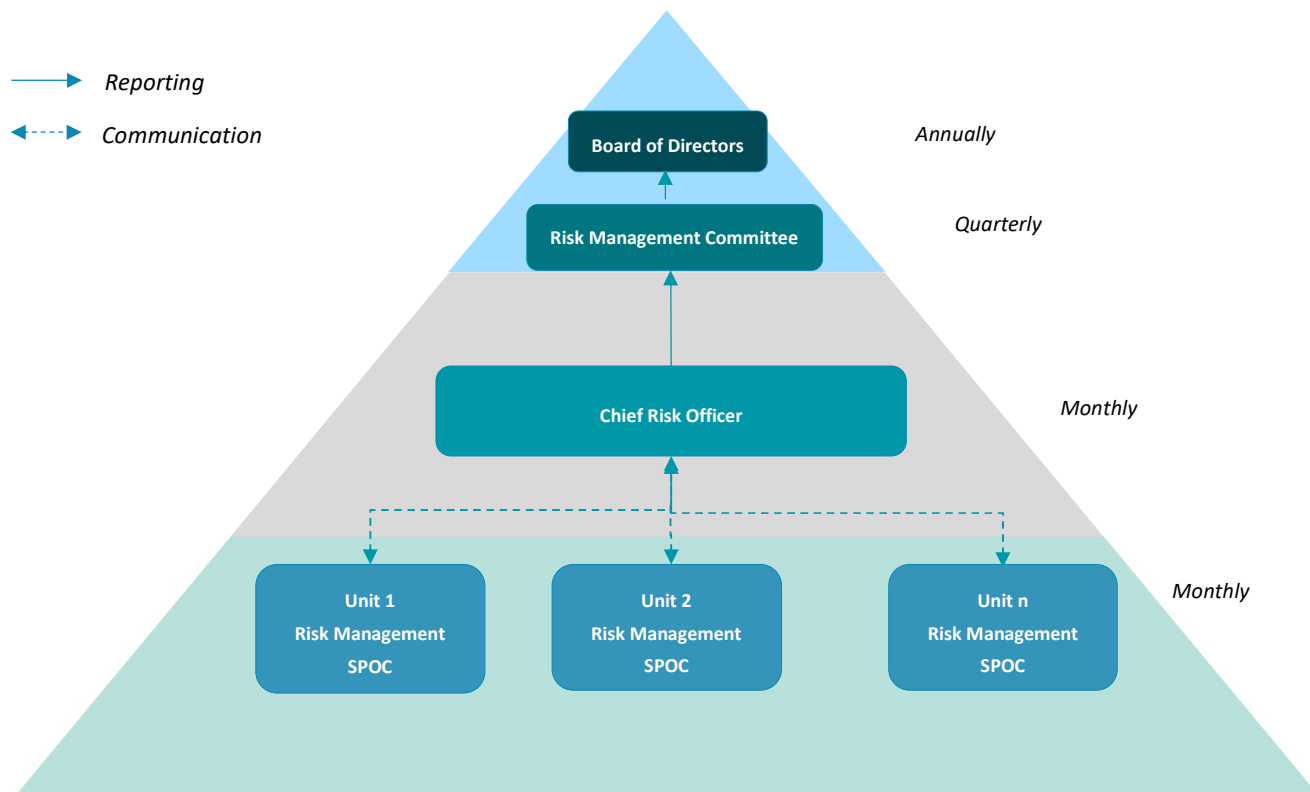
The Company is committed to establish a robust mechanism for proactive risk management, which is based on the following underlying principles:

- The Company shall strengthen the culture of accountability and transparency towards risk reporting and governance
- The Company will align and integrate varying views on risk management to ensure a uniform risk management framework across all line of business and functions.
- The Company strives to anticipate, monitor, and take preventive action to manage or mitigate risks.
- The Company endeavors to create and foster risk awareness across the organization, through continuous education and training on risk management.

- All employees of the Company take responsibility for the effective management of risks in all aspects of the business.

## 5. ERM Governance Structure

The responsibility for risk management is shared across the organization. The company has established three pillars of risk management responsibilities in its Governance structure, that cascades the scope of activities to senior management and all employees, across all subsidiaries and step-down subsidiaries of the Company.



**Figure 1: ERM Governance Structure**

## 6. Enterprise Risk Management Responsibilities

### 6.1 Risk Governance and Oversight

#### 6.1.1 Board of Directors

The Board is committed to the objectives of Enterprise Risk Management and its engagement in the risk oversight function to strengthen the management of organizational risk exposures, in achieving the Company's strategic objectives. The Board plays a critical role in facilitating an enterprise-wide approach to risk management. It accomplishes this by setting the tone and culture towards effective risk management,

affixing enterprise risk appetite, formulating high level objectives, strategy setting, and approving broad-based resource allocation for this purpose.

The Board will meet at least annually to review the key risks (*“high- priority”*) faced by the Company. The Board will review the Company’s portfolio of risk and determine if it is well within the Company’s appetite for risks.

Roles and responsibilities of the Board with respect to ERM are broadly classified as follows:

- Approve the ERM Policy and Framework document.
- Periodically review and approve the Company’s risk profile and risk appetite
- Evaluate the effectiveness of risk management systems on an annual basis covering key risks and associated mitigation plans.
- Review and approve external risk related disclosures, in adherence to regulatory requirements.

#### 6.1.2 Risk Management Committee

The Risk Management Committee (hereafter referred to as *“RMC”* or *“Committee”*) shall be entrusted with the responsibility to assist the Board in framing policy, guiding implementation, monitoring, and reviewing the effectiveness of ERM Policy and Framework. The RMC will act as a forum to discuss and manage key risks on a quarterly basis. The composition, quorum, frequency of meetings is defined in the Terms of Reference of the Risk Management Committee.

The roles and responsibilities of the RMC as defined in the Terms of Reference are,

- Advise the Board on the effectiveness of the risk management systems at least annually.
- Keep the Board informed about the nature and content of RMC discussions, recommendations, and actions to be taken.
- Review the risk management policy which shall include:
  - a) A framework for identification of internal and external risks specifically faced by the Company, including financial, operational (including talent related risk), sectoral, sustainability (including, ESG related risks), information, cyber security risks or any other risk as may be determined.
  - b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c) Business continuity plan.
- Monitor and review the implementation of the risk management procedures which shall include:
  - a) Processes for risk identification and assessment;
  - b) Review the risk assessment scales and appetite statements;
  - c) Measures for risk mitigation including Business Continuity procedures and guidelines;
  - d) Reviewing the key risks for the enterprise at a defined periodicity;
  - e) Defining the calendar for review of key enterprise risks with the objective to refresh the prioritized risks at defined periodicity; and
  - f) Propose enhancements to the ERM system, including those required in adherence to changes in regulatory requirements.
- Periodically review the risk management policy, at least once in two years, and recommend to Board for approval.
- Review the appointment, removal, and terms of remuneration of the Chief Risk Officer
- 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.

## 6.2 Risk Infrastructure and Management

The Chief Risk Officer (hereafter referred to as “**CRO**”) shall support the RMC in the risk management process.

### 6.2.1 Chief Risk Officer

The CRO shall have the following roles and responsibilities:

- Assist the Board and the RMC in review and oversight responsibilities relating to the ERM Policy and Framework. The CRO shall facilitate the governance of risk management processes throughout the Company.
- Approve and convey in consultation with senior leadership; strategies, procedures, and guidelines, that embed risk assessment and response to risk considerations into (i) planning processes; (ii) strategy development and execution and (iii) capital authorization requests, if required.
- Set directions for risk management activities within the Company. The CRO shall facilitate and advise on the execution of risk management plan and related activities across the Company.
- Support management in identifying trends and emerging risks; assist in identifying and assessing risks for new business initiatives, and in evaluating strategic alternatives.
- Establish limits and controls on risk appetite for the Company in consultation with senior leadership.
- Ensure that a risk management culture is fostered and developed and that the ERM system is embedded within the Company’s daily operations over time.
- Review the existing risk management process and documentation. Deliberate on the establishment, operations and continuous improvement of the risk management structure.
- Assist in aligning the Risk management framework with the Internal Control framework to ensure key operational risk(s) are adequately and appropriately managed.
- Monitor and review the consolidated Risk Register for the Company.
- Review the unit/functional level risks obtained from the unit/functional-level risk management SPOCs on a monthly basis
- Review the key enterprise risk(s) in consultation with senior leadership on a monthly basis
- Provide semi-annual update to the RMC on the key risks identified for the enterprise
- Monitor enterprise key risk(s) on an ongoing basis, review the adequacy and effectiveness of their mitigation plans, accuracy, and completeness of reporting and timely remediation of deficiencies and assist in establishing effective monitoring system by all stakeholders.
- Set-up mechanisms to identify the various scenarios that may adversely impact business continuity of the Company and evaluate the Company’s readiness in responding to such scenarios.
- Carry out any other activities with respect to risk management and oversight as may be delegated by the RMC.

## 6.3 Risk Ownership

### 6.3.1. Unit/Functional level Risk Management SPOCs

The roles and responsibilities of the Unit/Functional level Risk Management SPOCs include;

- Assist the CRO in fulfilling the risk management responsibilities for their respective unit/function.
- Report key risks, progress on risks assessment and mitigation plans of the unit/function to CRO

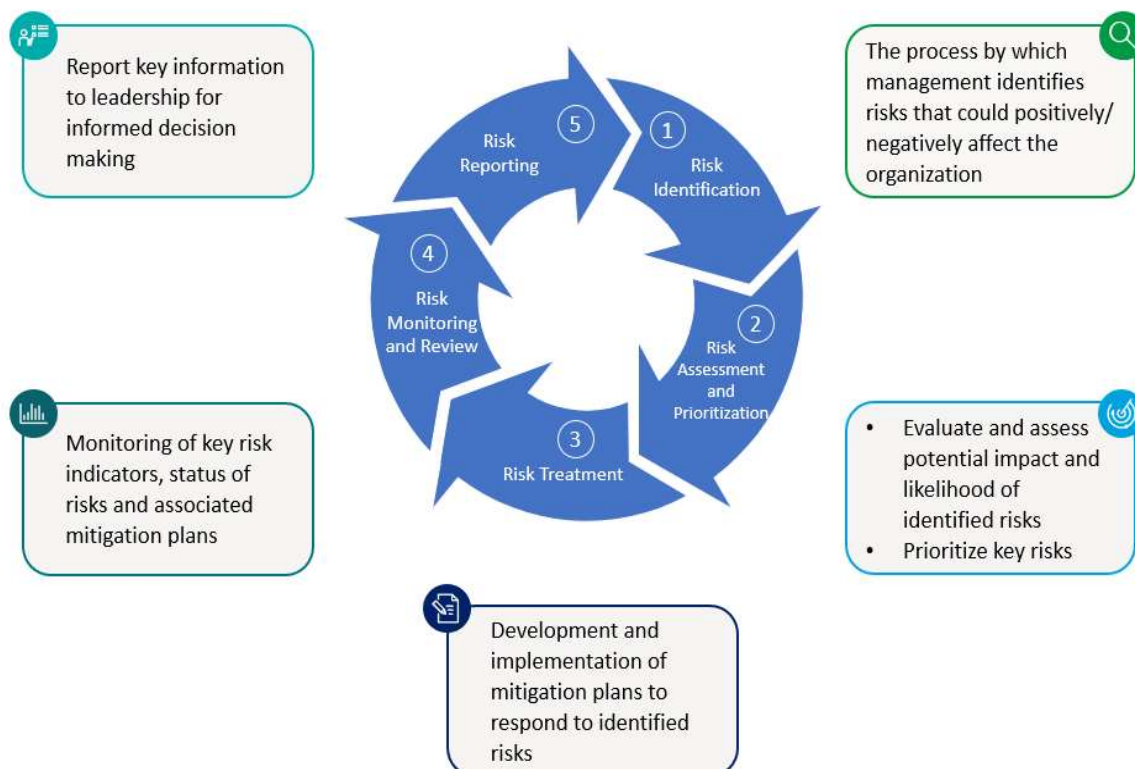
- Promote enterprise risk management and fulfil risk management responsibility within each unit/function;
- Identification of new and emerging risks for the unit/function.
- Review the progress of the mitigation plans on a monthly basis.
- Update the risk register for the unit on a once-in-a month basis in consultation plant heads and HoDs
- Monitoring the Key Risk Indicators for key risks at the unit/functional level on a continuous basis.
- Escalation of challenges, concerns or unforeseen developments pertaining to existing or emerging risk(s) to the CRO
- Carry out any other activities as may be delegated by the RMC.

## 7. ERM Process and Framework Overview

To effectively manage uncertainty, respond to risks and exploit opportunities as they arise, the Company shall implement an ERM Framework, that lays down the risk management process, in the following steps-

- **Risk Identification:** Risk identification will involve identification of sources of risk, areas of impact events (*including emerging trends*) and their causes and their potential consequences, on the achievement of business objectives. The aim of this step is to generate a comprehensive list of risks based on events that may impact the achievement of business objectives.
- **Risk Assessment and Prioritization:** Risk Assessment and Prioritization involves evaluating and assessing the potential *impact, likelihood, and velocity* of the identified risks. This would enable prioritization of risks, basis criticality, and help decide on the appropriate risk management strategy. Prioritization involves ranking the risks based on associated risk rating, to identify key risks.
- **Risk Treatment:** Risk Treatment refers to mitigation plans developed towards reducing the probability of occurrence or the impact of risk event. Once the company has developed an understanding of its risk profile, it needs to determine if mitigation plans are required, especially in case of key risks.
- **Risk Monitoring and Review:** Risk Monitoring and Review involves defining definite review forums and frequency for monitoring the status of risks to track them periodically. An important aspect of risk monitoring involves identifying and monitoring indicators or signals to sense occurrence of risk, known as “Key Risk Indicators” (*KRIs*). Frequency of reviews is defined to ensure that key risks at the Company level are reviewed, together with review of progress of mitigation plans.
- **Risk Reporting:** Risk reporting ensures that relevant risk information is available across all levels of the Company in a timely manner to provide the necessary basis for risk-informed decision-making. Annual updates are provided to the Board on status of key risks and associated mitigation plans.





**Figure 2: ERM Process**

The ERM process includes actions that the organization takes to sense, evaluate, monitor, and respond to internal and external risks. The detailed guidance on the risk management process along with the enablers such as the risk assessment criteria for prioritization of risks is elaborated in the ERM Framework document.

The activities as defined in the above ERM process are summarized along with the frequency and responsibilities as follows:

Role	Frequency	Responsibility
Board of Directors	Annually	<ul style="list-style-type: none"> <li><b>Approve the ERM Policy and Framework document.</b></li> <li><b>Review and approve the Company's risk profile and risk appetite</b></li> <li><b>Evaluate the effectiveness of risk management systems</b></li> </ul>
Risk Management Committee	Quarterly	<ul style="list-style-type: none"> <li><b>Review the Company's risk profile</b> and recommend for Board's approval the risk profile</li> <li><b>Monitor</b> and review the implementation of the risk management policy and procedures</li> </ul>
Chief Risk Officer	Monthly	<ul style="list-style-type: none"> <li><b>Monitor and review the consolidated enterprise risk register</b> (corporate functions and units) of the Company</li> <li>Review the key enterprise risk(s) in consultation with senior leadership</li> </ul>

Role	Frequency	Responsibility
	Quarterly	<ul style="list-style-type: none"> <li>Provide an update to the RMC on the key risks identified for the enterprise</li> </ul>
Unit/Functional level Risk Management SPOCs	Monthly	<ul style="list-style-type: none"> <li><b>Report</b> key risks, progress on risks assessment and mitigation plans of the unit to CRO</li> <li><b>Identification of new and emerging risks</b> for the unit.</li> <li><b>Review the progress of the mitigation plans</b> on a once-in-two-month basis.</li> <li><b>Update the risk register for the unit/functional</b> on a once-in-two months basis.</li> <li><b>Monitoring the Key Risk Indicators</b> for key risks at the unit level on a continuous basis.</li> </ul>

**Table 1: Risk Reporting Calendar**

## 8. Communication

This policy shall be communicated to all functions, plant operations and stakeholders involved in the risk management process of the Company.

## 9. Review

This Policy shall be reviewed at least every two years to ensure that it is aligned with the changes in business environment and regulatory requirements; and

Any changes to the Policy shall be approved by the Board.

## 10. Disclaimer

In any circumstances, where the terms of this Policy differ from any existing or newly enacted law, rule, regulation, or standard governing the Company, the newly enacted law, rule, regulation, or standard shall take precedence over this Policy until such time the Policy is changed to conform to the law, rule, regulation or standard.

\*\*\*\*\*

### Appendix A – Definitions of Common Terms

S.No.	Terms	Definitions
1.	Enterprise Risk Management	Enterprise Risk Management involved capability that involves identifying, assessing, measuring, monitoring, and responding to risks across the enterprise in a way that is aligned with the enterprise's objectives and risk appetite
2.	Risk	Risk is defined as “the effect of uncertainty on objectives” and an effect is a positive or negative deviation from what is expected. Risk is measured in terms of impact, likelihood, and velocity.
3.	Uncertainty	Inability to know in advance the exact likelihood or impact of future events.
4.	Challenges/Issue	If the event is certain to happen or has happened the event would be classified as an “issue/challenge”. Mostly these challenges/issues are already addressed as part of annual planning processes. A “challenge” is a form of an obstacle that needs to be overcome to achieve desired business outcome. These are “certain” or “on-going” events and hence not classified as risks
5.	Business drivers	Business drivers are the factors/conditions that are vital for the continued success and growth of a business. For different sets of business, the drivers would vary across the organizational value chain depending on its inputs, output, and process parameters.
6.	Business Objectives	Objectives are the goals or targets that the organization desires to achieve within a pre- determined timeframe against each business driver.
7.	Risk Appetite	Risk appetite is defined as the amount of risk the organization is willing to take in pursuit of its organizational values. This is the amount of risk the organization is willing to accept/digest and forms its risk appetite.
8.	Risk Category	The broad categories to group risks together form the risk categories. More specifically risks are grouped based on the primary cause of the risk.
9.	Risk Register	Compendium of all risks finalized and detailed with risk definition, KRI, risk mitigation, risk owners and champions
10.	Risk Impact	Result or effect of an event. That may bring a range of possible impacts associated with the event
11.	Risk Likelihood	The assessment of the probability the risk will occur.
12.	Risk Velocity	It is the time that passes between the occurrence of an event and the point at which the organization first feels its effects.
13.	Risk Score	The combined product of risk likelihood and risk impact
14.	Risk Response	A process of assigning risk owners and functional risk champion for each risk and mitigation; determining the strategy for responding to risks, developing, and implementing risk response plans
15.	Mitigation and Contingency plans	Strategies aimed at preventing the occurrence of risk event are called mitigation plans whereas Plan B for risks in case of exigency conditions after the risk play is termed as contingency plans
16.	Root cause analysis (RCA)	Analysis techniques for identification of plausible causes that may lead to the risk event
17.	Key Risk Indicators	“Key Risk Indicators” are rule based quantitative or qualitative triggers from multiple sources of information for early identification of potentially harmful scenarios

18.	Risk workshop	A risk workshop facilitates a collaborative approach to brainstorm, identify and assess key risks for the concerned unit with the inclusion of all concerned stakeholders
19.	Residual Risk	The risk remaining after management has taken action to reduce the impact and/or Likelihood of a risk.
20.	Business Continuity	Any event that has a high impact and high velocity can be terms as business continuity events