BALMER LAWRIE & CO. LTD.

Enterprise Risk Management Policy (ERM)

1. Overview:

1.1 Background

Risk Management is an integral part of an effective management practice. There is a strong correlation between risk and opportunity in all business activities and it is very important that a company identifies, measures and manages the risks so as to minimize threats and capitalize on the opportunities to achieve the organization's strategic objectives. Rapid and continuous changes in the business environment have made it necessary for management to increasingly become more risk-focused.

The Securities and Exchange Board of India (SEBI), has included Risk Management as part of Securities & Exchange Board of India. (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) requirement. As per Regulation 17 of the SEBI LODR, disclosures to the Board are to be made by the listed entity on whether the risk assessment and its minimization procedures are in place. As per the Companies Act 2013, there are specific requirements for Risk Management that a Company needs to comply with. In addition, the Board of Directors and Audit Committee have been vested with specific responsibilities in assessing the robustness of risk management policy, process and systems.

1.2 Objective

Balmer Lawrie & Co. Ltd. has established its strategic objectives through the Vision document. Balmer Lawrie & Co. Ltd. recognizes that these strategic objectives will generate risks which need to be assessed and successfully mitigated so that they do not adversely affect achievement of its strategic objectives.

This document lays down the frame work of Enterprise Risk management at Balmer Lawrie & Co. Ltd. The objective of the ERM at Balmer Lawrie & Co. Ltd is to create and protect stakeholders' value by minimizing the threat and identifying & maximizing the opportunities.

Risk Management within Balmer Lawrie & Co. Ltd. is the responsibility of the Company's people, and the proactive identification of risks will be actively encouraged and supported.

2. Risk Management Framework

2.1 Risk Assessment

Risk assessment consists of the following steps:

2.1.1 Risk Identification:

Risk identification consists of determining which risks are likely to affect Balmer Lawrie & Co. Ltd. and documenting the characteristics of those risks. Risk identification is an iterative process (it is not a one-off event, but must be repeated on a periodic basis) and should address both internal and external risks to the Company. A well-structured systematic process is critical as a risk not identified at this stage may be excluded from further analysis. The aim is to develop a comprehensive list of sources of risk and events that might have an impact on company's objectives or outcomes. It is important to describe the risk clearly. When describing a risk event, it is important to outline how the risk event might happen, why the risk event may happen, and who or what it may happen to.

2.1.2. Risk Categorization:

Risks are classified according to the source of their primary root cause. Classifying risks according to source enables the management to understand the aggregate impact of each risk and prioritize response strategies. Balmer Lawrie & Co. Ltd. will classify risks using the following criteria: Financial, Operations, Reputational, Market and Compliance:

a) **Financial Risks**

Events which on materializing will create financial obligation on the company or will impact the profitability of the company leads to financial risk. In this context, proposals involving Capital Expenditure of Rs.20 Crores and above be considered and recommended by the Risk Management Committee to Board and proposals involving Capital Expenditure below Rs.20 Crores be directly placed before the Board of Directors as the internal management scrutiny shall be considered sufficient for such proposals.

b) **Operations Risks**

Operations risks may arise due to difficulty in meeting production targets due to improper sales planning, improper equipment planning, non- availability of raw materials/ spares on time, breakdown of machinery etc. Also, Safety risks forming part of operational risks are those which arises due to non-compliance to safety standards of the company which may result in loss of human life/property.

c) **Reputational Risks**

Events which on materializing will impact the reputation of the company leads to reputational risk.

d) **Market Risks**

Adverse reports on the Company & its Management resulting in a fall in its share price leading to reduced Market Capitalization & dip in Shareholders' shareholding value. This risk is associated with all companies which are listed on recognized Stock Exchanges.

e) **Compliance Risks**

Risk which arises due to non-compliances under different Acts, Regulations and Statutes is called Compliance risk.

2.1.3. Risk Analysis and Prioritization:

Risk rating/rating criteria indicates the range for measuring consequence of occurrence of a risk event, probability of occurrence and mitigation plan effectiveness. Risks are rated on the basis of financial consequence (quantitative) as well as operational effectiveness (qualitative).

–Quantitative: Risks are rated purely on the basis of financial consequence

–Qualitative: Risks are rated on the basis of impact on factors affecting operational effectiveness/reputation

- Risk rating criteria will be proposed by the Chief Risk Officer to Audit Committee and Risk Management Committee for further inputs. The approval will be given by Board of Directors.

2.1.4. Risk Response:

Risk response consists of determining the appropriate action to manage risks categorized within the levels defined by the Company. Appropriately responding to risks involves identifying existing response strategies and the need for any additional response. Accordingly, ownership and responsibilities for the risk response plans are articulated and approved.

2.1.5. <u>Risk Management Structure</u>:

Level	**Key roles & responsibilities**
Board of Directors	Development and implementation of a risk management policy for managing risks and that it is operating efficiently
Level	**Key roles & responsibilities**
Audit Committee (AC)	(a)Provide direction and evaluate the operation of the Risk management program; and (b)Review risk assessments prepared by the Functional Champions/Risk Owners and reviewed by Chief Risk Officer.
Risk Management Committee (RMC) (Members of Audit Committee would be the members of RMC)	(a)Set the direction for risk management process (b)Oversee risk assessment and prioritize key risks which can act as hindrance in achievement of organization's strategic business objectives (***expanded below in detail*)
Chief Risk Officer	(a)Evaluating the compliance in relation to control mitigation plan and timelines and reporting to RMC and AC on efficacy of Risk Management Framework. (b)Initiating and coordinating activities for operationalizing the RMF and reporting to RMC and AC. (c)Periodically review the process for systematic identification and assessment of the business risks. Provide inputs and recommend mitigation controls to RMC
Risk Owners	(a)Understanding the issues and its impact. (b)Performance assessment of mitigating controls.
SBU/Functional Nodal Officer	Coordination amongst functional champions for consolidation of risks and reporting status of implementation of the mitigation plan to Risk Owners
Mitigation Plan Owners/Functional Champions	Implementing the RMF in their operational area and reporting on the progress through Risk Owners

'Applicability and role of the Risk Management Committee' - Amendments to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

FRESH GUIDELINES FINALIZED IN APRIL-2021:

(I)Applicability of constitution of RMC

Board of Directors of the top **1000** listed entities by market capitalisation shall be required to constitute the RMC.

(II)Frequency and quorum for RMC meetings

The RMC shall meet at least twice in a year and not more than one hundred and eighty days shall elapse between any two meetings. This is to ensure that companies hold at least one meeting of the RMC every half year.

Further, considering the enlarged role of the RMC, the minimum size of the committee shall be not less than three members, with the majority being members of the Board of Directors, including one Independent Director.

The quorum for a meeting of the RMC shall be either 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.

(III)Power to seek information or external advice

RMC will have the powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

(IV)Roles and responsibilities of the RMC

The roles of the RMC shall inter-alia include the following:

(i)Formulate a detailed Risk Management Policy which shall include:

(a)A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, Environmental, Social and Governance i.e. ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

(b)Measures for risk mitigation including systems and processes for internal control of identified risks.

(c)A comprehensive Business Continuity Plan (BCP).

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

(iii)To monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of Risk Management Systems;

(iv)To periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(v)To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;

(vi)The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

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

(V)Proposal for consideration of the Board

The Board is requested to consider and approve the proposals mentioned at paras **(I), (II), (III) and (IV),** above.

The Board is also requested to authorize the Chairman & Managing Director to take consequential and incidental steps for giving effect to the decisions of the Board.

2.1.6. Risk Monitoring:

Risk monitoring and reporting consists of providing the Audit Committee, Risk Management Committee and Board of Directors with information on Balmer Lawrie & Co. Ltd.'s risk profile and the status of risk response plans.

2.1.7. Communicate and Consult:

Communication facilitates a holistic approach to identifying, assessing, and managing risk and facilitates the development of a culture where the positive and negative dimensions of risk are openly discussed. Involving stakeholders in the risk management process across management hierarchies of the Company, would create an environment where the discussion of risks and the associated response strategies are viewed as an integral part of decision making. Effective risk management also incorporates the input of different perspectives to balance intrinsic human biases in the understanding of risk.

2.1.8. Training and Awareness:

The Board of Directors aims to ensure that:

- Emphasis is given on training on risk management to improve process controls.
- All staffs are aware of and understands the organization's approach to risk management.
- All staffs in the organization understand the basic concepts and benefits of risk management in their respective areas and applies the risk management principles in day to day operations.

For this purpose, Risk Owners in association with the Functional Champions will conduct training programmes on risk management for the employees so that each employee proactively contributes to the risk management process. Professional help shall also be taken if necessary.

3. Industry Best Practice

With technology-enabled platforms holding sway during current times, it is always recommended that Enterprise Risk Management of an organization be undertaken through a well-developed Software Package, which may be created in-house or procured from appropriate Vendor/IT-based firm. This is often considered as the industry-wide accepted practice & Balmer Lawrie & Co. Ltd. will explore the feasibility of undertaking its ERM through a suitable tech-based solution/application.

The revised ERM Framework is effective from 10th November, 2021