Ester Industries Ltd
Risk Management Policy

1. Introduction

A key factor for a Company's capacity to create sustainable value is the risks that the Company is willing to take (at strategic and operational levels) and its ability to manage them effectively. Ability to identify and manage risks promptly is also a critical aspect of corporate governance at any Company.

Many risks exist in a Company's operating environment and continuously emerge on a day to day basis. Risk management does not aim at eliminating them, as that would simultaneously eliminate all chances of rewards/ opportunities. Risk Management is instead focused at ensuring that these risks are known and addressed through a pragmatic and effective risk management process.

This Risk Management policy document aims to detail the objectives and principles of risk management at Ester Industries Ltd (*hereafter referred as* Ester) along with an overview of the risk management process and related roles and responsibilities.

2. Objectives

The objectives of risk management at Ester are to:

- Better understand the Company's risk profile;
- Ensure that the Senior Management is in a position to make informed business decisions based on risk assessment;
- Sound business opportunities are identified and pursued without exposing the business to an unacceptable level of risk;
- Contribute to safeguard Company value and interest of shareholders; and
- Improve compliance with good corporate governance guidelines and practices as well as laws & regulations;

Risk Management has always been an integral part of business practices at Ester. This Risk Management policy document aims at formalising a process to deal with the most relevant risks at Ester, building on existing management practices, knowledge and structures.

3. Definition

Risk is any event/non-event, the occurrence/non-occurrence of which can adversely affect the objectives of the Company. These threats may be internal/ external to the Company, may/may not be directly influenced by the Company and may arise out of routine/non-routine actions of the Company.

Risk Management is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on the opportunities and threats that may affect the achievement of its objectives.

4. Overview of the risk management process

While defining and developing a formalised risk management process; leading risk management standards and practices have been considered. However, at Ester, the focus has been to make this process relevant to business reality and to keep it pragmatic and simple from an implementation and use perspective.

Whether risks are external or internal to the Company, or can be directly influenced/ managed or not, these are all managed through a common set of processes at Ester. This process is scheduled to be performed annually along with the business planning exercise or at any point of time on account of significant changes in internal business conduct or external business environment. Where the business seeks to undertake a non-routine transaction (such as an acquisition, entering into a new line of business etc.), the risk management process is activated as a part of the proposal for undertaking such a transaction.

The overall risk management process covers:

1. *Setting the context:*

   This step is focused on laying down the objectives that the Company seeks to achieve and safeguard. Risks are identified and prioritized in the context of these objectives.

2. *Identifying and prioritizing risks,* which comprises:

   a. *Risk identification and definition* – Focused on identifying relevant risks that can adversely effects the achievement of the objectives including such 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.

   b. *Risk prioritization* – Focused at determining risk priority. This involves consideration of the various impacts of risks taking cognizance of the risk appetite of the Company.

3. *Managing risks*, which comprises:

   a. *Risk mitigation* – Focused at developing appropriate risk response plans for critical risks such that their impact(s) is reduced to an acceptable level. This involves performing a risk competence scan to identify ongoing mitigation actions, to structure a Business Continuity Plan by creating a system of prevention and recovery from potential threats and any improvements required thereto. Based on the results of the scan, the Company defines the ownership, responsibilities and milestones for the risk response plan.

b. *Risk reporting and monitoring* – Focused at providing to the Board of Directors, the Audit Committee, Executive Committee and Line Management periodic information on the risk profile and effectiveness of implementation of the mitigation plans.

The Company has summarized the different activities and schedule for the risk management process. In due course of time, the Company would also define a risk procedures manual to operationalise the principles specified in this risk charter.

5. Roles and responsibilities

Governance

The Board of Directors is responsible for defining and approving the Risk Management framework. The Board has delegated direct oversight responsibility for the deployment of the Risk Management process to the Risk Management Committee. Risk Management Committee is entrusted with following roles and responsibilities –

1. Formulation of Risk Management Policy
2. Monitoring and reviewing the risk management plan of the Company;
3. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company including cyber security;
4. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
5. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
6. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
7. To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any)
8. To co-ordinate 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.

- *For routine business activities:*

  The **Business Unit ('BU')/Function heads** are required to implement the risk management framework within their respective area. While they are responsible for performance on risks, they may designate specific risk owners to assist them in managing risks.

- *For non-routine business activities:*

  Certain activities/decisions are non-routine and represent one-off transactions. These include activities such as mergers & acquisitions, divestments, entering into new lines of business, ERP implementation etc. The Executive-in-charge of such a transaction has the responsibility for operationalising risk management for such activities.

Assurance

Internal Audit Function is entrusted with the responsibility to review and provide independent assurance on overall effectiveness and efficiency of the risk management process.

6. Limitations

The Ester Risk Management framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgements in decision-making and violations of legislation and regulations.