



ESTER INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

Contents

1.	INTRODUCTION	1
2.	LEGAL REQUIREMENT.....	1
3.	OBJECTIVE.....	3
4.	TERMS AND DEFINITONS.....	4
5.	ENTERPRISE RISK MANAGEMENT (ERM).....	5
6.	RISK MANAGEMENT FRAMEWORK	5
7.	ERM PROCESS	6
7.1.	RISK IDENTIFICATION.....	6
7.2.	RISK CATEGORIZATION	7
7.3.	ASSESSMENT AND RATING	8
7.3.1.	LIKELIHOOD OF RISK EVENTS.....	8
7.3.2.	IMPACT OF THE IDENTIFIED RISK SCENARIOS	9
7.3.3.	ASSESS THE IMPACT OF RISK ACROSS BUSINESS AREAS	9
7.3.4.	RATING SCALES	10
7.4.	RISK RESPONSE	10
7.5.	REVIEW AND REPORTING	11
8.	RISK MANAGEMENT ORGANISATION.....	11
8.1.	BOARD OF DIRECTORS.....	11
8.2.	RISK MANAGEMENT COMMITTEE (RMC)	12
8.3.	ROLE OF THE RISK OFFICER (CRO)	13
8.4.	ROLE OF THE RISK OWNERS.....	13
9.	RESPONSIBILITY TO STAKEHOLDERS	13
10.	BENEFITS OF RISK MANAGEMENT	13
11.	GENERAL	14

1. INTRODUCTION

Enterprise Risk Management (“ERM”) Policy has been developed to assist in establishing and maintaining an effective risk management framework for Ester Industries Limited (“Company”). Company operates in a business environment that is characterized by intensifying competition and a greater number of government compliances/regulations.

Further increasing speed of business activity and expansion/commissioning of new capacities of BOPET line are expanding the quantum and importance of risks faced by the company. RM framework assists the management in effectively dealing with uncertainty and associated risks & opportunities, thereby enhancing the organization’s capacity to build value.

The policy is intended to ensure that an effective RM framework is established and implemented within Company and to provide regular reports on the performance of that program, including any exceptions, to the Risk Management Committee (RMC).

Risk in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities.

In line with the Company’s objective towards increasing stakeholder value, a Risk Management Policy has been framed, which attempts to identify the key events / risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks and mitigation plan thereof.

2. LEGAL REQUIREMENT

This Policy is formed in compliance with the following Regulations-

a) Companies Act, 2013

Section 134(3) – Board: There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include a statement indicating development & implementation of Risk Management Policy for company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

Schedule IV [Section 149(8)] – Independent Directors: The independent directors shall: (1) Help in bringing an independent judgement to bear on the Board’s deliberation especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct; (4) Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

Section 177(4) – Audit Committee: Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems.

b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR)”]

Regulation 17(9) – Board of Directors: It provides that –

- (i) The listed entity shall lay down procedures to inform Member of board about risk assessment & minimization procedures.
- (ii) The board shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Regulation 21 – Risk Management Committee: It requires that every listed company should have a Risk Management Committee comprises of –

- (i) The board of directors shall constitute a Risk Management Committee.
- (ii) The majority of members of Risk Management Committee shall consist of members of the board.
- (iii) The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- (iv) The board shall define role & responsibility of the Risk Management Committee & may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.
- (v) The provisions of this regulation shall be applicable to top 500 listed entities, determined on the basis of market capitalization, as at the end of immediate previous financial year.

Schedule II Part C

Risk Management Committee shall, inter alia, include the following:

- 1) To 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, 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. Business continuity plan.
- 2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

- 3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- 4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- 5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- 6) 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 the activities of such committees, as per the framework laid down by the board of directors.

In line with the above requirements, it is therefore required for the Company to frame and adopt a “Risk Management Policy” (“Policy”) of the Company.

Ester Industries Limited, being a listed company, is required to adhere to the regulations made both by the Companies Act, 2013 and SEBI (LODR) governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

Ester Industries Limited (“EIL” or “the Company”) was in top 1000 companies as on 31st March 22 on the basis of market capitalization. (Rank – NSE:862 and BSE: 893)

As of Sept, Ester does not fall under top 1000 listed entities, but in compliance with Regulation 3(2) of SEBI LODR, the provisions of LODR which become applicable to listed entities on the basis of market capitalization criteria shall continue to apply to such entities even if they fall below such thresholds.

Therefore, the company has to comply with the aforesaid regulation 21.

Ester Industries Limited (“EIL” or “the Company”) recognizes that enterprise risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

3. OBJECTIVE

The main objectives of the Risk Management Policy are inter-alia, to ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed ie to ensure adequate systems for risk management.

The specific objectives of the Risk Management Policy are as under:

- To identify and assess various business risks arising out of internal and external factors that affect the business of the Company.
- To work out methodology for managing and mitigating the risks.
- To establish a framework for company's risk management process and implement the same.
- To follow best industry practices to ensure total compliance of all the regulatory matters.
- To take adequate steps for smooth running of business, monitor & take necessary measures to manage currency fluctuation for imports and exports and assure sustainable and profitable growth for the Company.

In order to achieve this key objective, the policy establishes a structural and disciplined approach to risk management, which helps in arriving at correct solutions for various risk related issues.

This policy will help EIL in managing risks in a proactive manner towards achieving its business objectives, performance & profitability targets and prevent loss of resources. The Policy is directed to help ensure effective reporting and compliance with laws and regulations, avoid damage to the entity's reputation and its consequences.

4. TERMS AND DEFINITONS

Company: means Ester Industries Limited.

Audit Committee: Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and SEBI (LODR).

Board of Directors / Board: As per Section 2(10) of "The Companies Act, 2013", in relation to a Company, means the collective body of Directors of the Company.

RMP / Policy: Risk Management Policy

RMC: Risk Management Committee

ERM: Enterprise Risk Management

Risk – Risk is an uncertain event or condition that may have a positive or negative effect on business goals.

Challenges – If the event is certain to happen or has happened the risk would by definition lead to an issue/challenge. Mostly these challenges/issues are already addressed as part of annual planning processes. A challenge is also a form of obstacle that needs to be overcome to achieve the desired business outcome. These are "certain" or on-going events and hence are not to be considered or treated as risks.

Risk Register – Compendium of all risk identified & detailed with only risk definition (Risk

event, cause, effect) and risk scores.

Risk prioritization – The process of prioritizing risks based on risk scores

Risk score – The combined product of risk likelihood & risk impact

Risk Contingency Plan – Plan B for risks in case of exigency conditions

COSO – Committee of Sponsoring Organization

Risk appetite – The amount of risk the organization is willing to take in pursuit of its organizational values.

Risks That Matter- Risks that are of top priority for the organization.

5. ENTERPRISE RISK MANAGEMENT (ERM)

Risk Management is defined as -A structured and disciplined approach: It aligns strategy, processes, technology, and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value....It is a truly holistic, integrated, forward-looking, and process-oriented approach to managing all key business risks and opportunities—not just financial ones—with the intent of maximizing shareholder value as a whole. (Source-Institute of Management Accountants)

We at Ester are cognizant of risks that our business faces and have been continuously investing in augmenting. Company will establish Enterprise risk Management framework and process to ensure achievement of its strategic objectives. **Internationally accepted framework, Committee of Sponsoring Organizations of the treadway Commission (COSO) and ISO 30001 (Risk Management Guidelines) Framework will be considered for Company's Enterprise Risk Management framework.**

We continuously focus on leveraging next generation technology, supports an enterprise-wide view of risks and compliance which enables a more holistic approach towards informed decision making. Risks will be assessed and managed at various levels with a top-down and bottom-up approach covering the enterprise, the Strategic business units, the geographies and the functions.

Twin Purpose of ERM at Ester will minimize adverse impacts and to leverage market opportunities effectively and efficiently, which helps to sustain and enhance short & long-term competitive advantage to the Companies.

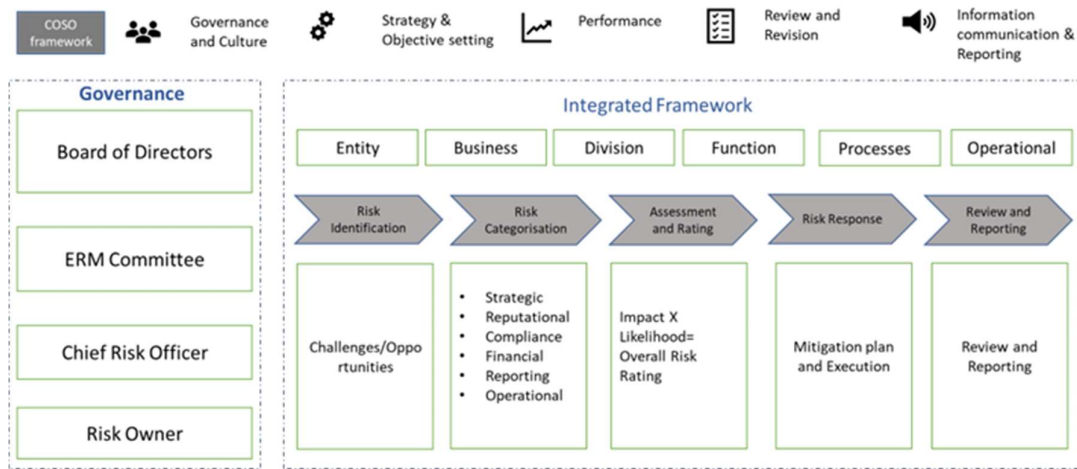
6. RISK MANAGEMENT FRAMEWORK

Enterprise Risk Management frameworks relay crucial risk management principles. You can use an ERM framework as a communication tool for identifying, analyzing, responding to, and controlling internal and external risks. An ERM framework provides structured feedback and guidance to business units, executive management, and board members

implementing and managing ERM programs.

Risk Management is a structured, consistent, and continuous process for identification and assessment of risks, undertaking control assessment and continuous monitoring of exposure of the risk. It is a defined and disciplined approach aligning strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing the uncertainties it faces as it creates value. The RM Framework provides direction at all levels of management to enhance and evaluate the effectiveness of an entity’s risk management.

Ester will be implementing the COSO enterprise risk management framework



7. ERM PROCESS

ERM follows the 5-step process which covers process steps and components as per COSO. The structured approach is equally compatible with ISO 31000. The framework comprises of policies, processes, tools reports and the governance structure to help the enterprise manage all the material risk and facilitate linkages between strategy risk and capital requirements.

ERM framework consists of five steps as mentioned below:

7.1. RISK IDENTIFICATION

Risk identification is the mechanism of identifying exposure to uncertainty across the Company. This involves assessment of the external environment within which the Company operates, as well as the internal context of the Company/ Departments.

- The process involves-
- Identify which events are potentially of influence on (the achievement of) the strategy and objectives.
- This step involves current as well as future events
- ERM recognises two types of events: internal and external -
- Internal events such as a strike, lack of quality checks or fraud control, etc.
- External events such as an earthquake, crash of the stock market, etc.

Risks for each Department and overall Company shall be documented in individual **risk registers**. The ownership of these risk registers shall lie with individual Departments; however, the ERM function shall assist in creating and updating the registers.

7.2. RISK CATEGORIZATION

The Company considers that any risk that could have a material impact on its business should be included in its risk profile.

In order to facilitate an objective assessment of identified risks, these are categorized in terms of nature of impact on the objectives. The ERM program would cover the following types of risks:

Sl. No.	Risk Category	Risk Areas
1	Strategic Risks	<ul style="list-style-type: none"> • Risk of Business Disruption due to black swan events • Risk of geographical & customer concentration • Business Contingency/Continuity Risks including natural disasters • Risk of Technical obsolescence • Political Risks • Risk of timely leveraging technology to meet customer expectations
2	Operational Risks	<p><u>Supply chain</u></p> <ul style="list-style-type: none"> • Raw Materials • Demand Planning • Supplier concentration <p><u>People</u></p> <ul style="list-style-type: none"> • Recruitment & retention • Succession Planning • Culture <p><u>Information Technology</u></p> <ul style="list-style-type: none"> • Cyber Security • Data Security • IT Business alignment • Decision Support <p><u>Business Continuity</u></p> <ul style="list-style-type: none"> • Crisis • Safety & Security
3	Compliance Risks	<ul style="list-style-type: none"> • Corporate and secretarial regulations • License and permits • Environmental regulations • Labour regulations • Tax Regulations • Legal Risks- Litigation and Disputes • Terms of Business
4	Financial	<ul style="list-style-type: none"> • • Cost of Capital

	Risks	<ul style="list-style-type: none"> • Access to Capital • Foreign exchange • Interest rates • Accounting and Reporting Taxation • Internal Control Risks
5	Environment, Social and Governance	<p>Environmental:</p> <ul style="list-style-type: none"> • Waste management, • Climate change • Natural Resource • water conservation, • Energy management. • E waste <p>Social:</p> <ul style="list-style-type: none"> • Health and Safety • Gender Equality (gender diversity), • Employee Well Being (medical facilities) • Ethical Sourcing <p>Governance:</p> <ul style="list-style-type: none"> • Anti-corruption & bribery policies, • Business Ethics • Tax Transparency • Conflict management, Retention and Remuneration, • Stakeholder Engagement.

7.3. ASSESSMENT AND RATING

Risk assessment allows the Company to consider the extent to which potential events might have an impact on the achievement of its objectives. Hence, Management shall assess events from two perspectives – **likelihood and impact**.

7.3.1. LIKELIHOOD OF RISK EVENTS

The term “likelihood” is defined as a chance of something happening. This is defined, measured or determined objectively or subjectively, qualitatively or quantitatively. Likelihood may be described using general terms or even mathematically (such as a probability or a frequency over a given time period).

Likelihood	Score	Occurrence in future	Percentage chance	Occurrence in the past
Certain	5	Very High, will be almost a routine feature every month within the immediate next year.	Over 80%	Similar instances have commonly occurred every month in the past
Likely	4	High, may arise several times within the immediate next year.	50% to 80%	Similar instances have occurred several times in the past year.

Possible	3	Possible, may arise once to twice within the immediate next year.	10% to 49%	They have been 1 or 2 similar instances in the past year.
Unlikely	2	May occur once or twice in the next 2 years.	5% to 9%	Though not routinely, but there has been similar instance in the last 2 to 5 years
Rare	1	Not likely, almost impossible to occur between year 2 (from now) to 5 years	Less than 5%	Similar instances have never occurred in the past

7.3.2. IMPACT OF THE IDENTIFIED RISK SCENARIOS

The consequences of risk are not only characterized in financial terms, the impact of the risk on various parameters need to be calculated at this stage. Various scales of impact that are relevant according to the prevalent categories of risk such as reputation damage, personal injuries and fatalities, media coverage and operational impact must be considered during assessment of potential impact.

Impact	Score	Impact on Revenue	Operations
Negligible	1	<2 %	Impact on Business operations but no tangible loss to the company
Minor	2	5%	Significant impact on Business but no shut down of operations/ impact on continuity of operations
Moderate	3	10%	Impact on Business resulting in shut down for moderate duration or no major impact on health and safety
Major	4	20%	Impact on Business resulting in shut down for considerable time or indirect impact on health and safety of an employee
Severe	5	25%	Direct impact on continuity of operations site or direct impact on health and safety of an employee

7.3.3. ASSESS THE IMPACT OF RISK ACROSS BUSINESS AREAS

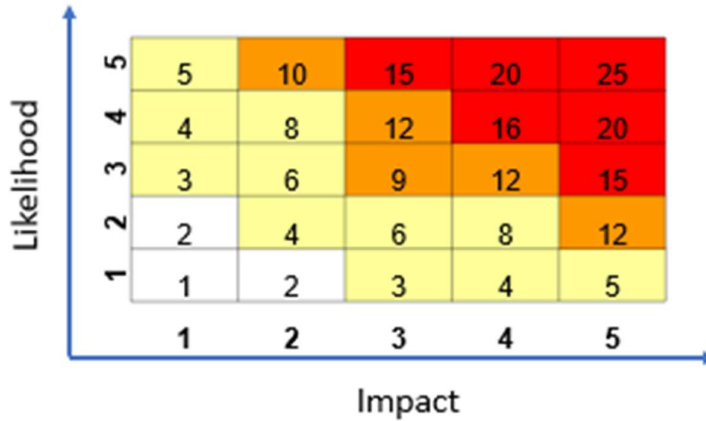
Risks do not normally exist in isolation. They usually may have a potential effect on other functions, business processes and risk categories. These cause and effect relationships must be identified and understood. This principle must become a deliberate and formal part of the risk assessment process. The results of the process must be documented. The

aggregated effect of these risk Companying’s and linkages should be analyzed. Many cross functional effects of risk may not be immediately apparent without deliberate and systematic analysis, so a formal approach is required.

7.3.4. RATING SCALES

A five-by-five matrix shall be used for measuring likelihood and impact. The risk shall be evaluated as:

Risk Measurement= Likelihood * Impact



	Critical risk. Requires urgent preventive actions. Service must not be provided without taking urgent preventive actions for these risks.
	Important risk. Mandatory preventive measurements. The variables of the process/service must be tightly controlled during the operation.
	Considerable risk. Analyse the economical viability of introducing preventive actions to reduce the level of risk. If not viable, keep variables controlled.
	Marginal risk. It should be controlled but requires no initial preventive actions.

7.4. RISK RESPONSE

Risk response involves selecting one or more options for managing risks and implementing such action plans. This phase of the ERM process is intended to:

- Understand existing controls/ mitigation mechanisms in place for managing risks
- Generate a new risk treatment plan
- Assess the effectiveness of such treatment plans

A list of the top 10-20 risks will be created. These risks will be referred to as "**Risks That Matter.**" The respective risk owner must develop a mitigation plan for each risk.

Risk mitigation relates to the policies, procedures, processes and other actionable steps

implemented to address the risks associated with specified future events. Response to a risk has to be considered in light of costs to be incurred and consequent benefits (typically measured in terms of an estimate of the quantum of reduction in risk exposure).

Business risks are normal for any organization and as much as it is for EIL. It is not the intent in all cases to minimize, avoid or eliminate all risks that are identified. However, it is the intent that all EIL Business Units/ Functions/ Processes understand the significant events that may impact business objectives and the associated risks. This is achieved by establishing a standard and consistent process for developing an acceptable risk response

7.5. REVIEW AND REPORTING

Risk monitoring, review and reporting are critical components of the ERM process. Risk and the effectiveness of control measures need to be monitored to ensure that changing circumstances do not alter risk priorities. Few risks remain static. Ongoing review is essential to ensure that the management plans remain relevant. Factors, which may affect the likelihood and impact of an outcome, may change, as may the factors, which affect the suitability or cost of the various treatment options. The intent of monitoring and reviewing risks and their respective treatment plans is to:

- Analyse and track events, changes, trends which affect identified risks. As part of this, the impact of such events on treatment plans is also assessed
- Detecting changes and assessing the impact of changes to risk appetite, risk portfolio, risk treatment plans
- Ensure that risk treatment mechanisms are effective in design and operation

8. RISK MANAGEMENT ORGANISATION



8.1. BOARD OF DIRECTORS

The Board of Directors of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company’s risk management system, in accordance with the policy.

8.2. RISK MANAGEMENT COMMITTEE (RMC)

The Company has constituted a Risk Management Committee. The committee is responsible for the review of risk management processes within the Company, and for overseeing the implementation of the requirements of this policy. The Composition of Committee is as follows:

Sl. No.	Name	Designation
01	Mr. Arvind Singhania	Chairman
02	Mr. Sandeep Dinodia	Member
03	Mr. Pradeep Kumar Rustagi	Member/ Risk Officer
04	Mr. Girish Behal	Member

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 director.

Risk Management Committee shall meet at least **twice in a year** in a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings in presence of 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 to fulfil following roles & responsibilities.

The role of the committee shall, inter alia, include the following:

1. To 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, 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) Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. 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.

8.3. ROLE OF THE RISK OFFICER (CRO)

Mr. Pradeep Kumar Rustagi, Executive Director- Corporate Affairs will act as Risk Officer.

The Risk Officer has responsibility for identifying, assessing, monitoring and managing risks. Primarily, the Risk Officer is also responsible for tracking and identifying any material changes to the Company's risk profile and ensuring, with recommendations and approval of the Risk Management Committee (RMC) and the Board, the risk profile of the Company is updated to reflect any material change.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Risk Officer, with the assistance of senior management, as required.

The Risk Officer is required to report to the RMC as to the effectiveness of the Company's management of its top 5 critical business risks on a regular basis.

The Risk Officer shall be responsible for tracking and ensuring that all the action plan devised for identified risks are being implemented within stipulated timelines.

8.4. ROLE OF THE RISK OWNERS

Risk owner/Department head should be responsible for -

- Identifying the risk
- Risk Owners (Heads of Departments) shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Risk Officer
- Compliance with requests from Management for application for the risk management framework
- Risk Owners are required to provide updates on status of action plans devised for risks identified in their respective areas (action taken report) periodically to the Risk Office.

9. RESPONSIBILITY TO STAKEHOLDERS

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's risk profile.

10. BENEFITS OF RISK MANAGEMENT

Risk management is an important aspect of any business, as risks are an integral part of business. Risk management helps organizations manage risk to be within their risk appetite. Effective RM provides reasonable assurance regarding the achievement of the

key organizational objectives in four broad categories: Strategic, Operations, Financial and Compliance. If an organisation has an effective Risk Management system, it helps in the following ways:

Link growth, risk and returns - Risk management enhances the capacity to identify events and assess risks and set risk tolerances consistent with growth and return objectives;

Rationalise resources - Deploy resources more effectively, thereby reducing overall capital requirements and improving capital allocations;

Exploit opportunities - Identify and take advantage of positive events quickly and efficiently;

Reduce operational surprises and losses - Recognise potential adverse events, assess risks and establish responses, thereby reducing surprises and related costs or losses;

Report with greater confidence - Prepare internal and external information that is reliable, timely and relevant; and

Satisfy legal and regulatory requirements - Ensure compliance with legal and regulatory requirements and identify risks of non-compliance.

11. GENERAL

Review

This policy will be reviewed and amended as and when required by the Board. Any subsequent amendment / modification in the SEBI (LODR) and / or any other laws in this regard shall automatically apply to this Policy.

Disclosure of the Policy

This policy will be uploaded on the Company's website.

The Policy was last amended on 22nd May 2024.