

BALAJI SPECIALITY CHEMICALS LIMITED

RISK MANAGEMENT POLICY

I. BACKGROUND

Balaji Speciality Chemicals Limited (“the **Company**”) is principally engaged in the business of manufacture of niche chemicals. The business activities of the Company are inherently exposed to various risks. ‘Risk’ in literal terms can be defined as the effect of uncertainty on business objectives. Risk may be internal as well as external.

A primary factor for a Company’s ability to create sustainable value for all stakeholders is the risks that the Company is willing to take at both operational and strategic levels and its ability to manage them effectively. Risk is inherent in a Company’s operating environment and emerges on regular basis. Risk management does not aim at eliminating them, as that would simultaneously eliminate all chances of rewards and opportunities. Risk Management is instead focused at proactively assessing and analyzing the risk and taking precautionary steps through a pragmatic and effective risk management process. Effective risk management requires:

- Strategic focus;
- Forward thinking and active approach to management;
- Balance between the cost of managing risk and anticipated benefits; and
- Contingency planning in the event that critical threats are realized.

In today’s challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative.

II. LEGAL REQUIREMENT

Risk Management is a key aspect of Corporate Governance Principles which aims to improvise the governance practices across business activities of any organisation. The Risk Management Policy (“**Policy**”) is formulated in compliance with Regulation 17(9)(b) & 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the **Listing Regulations**”) and provisions of the Companies Act, 2013 (“the **Act**”), which requires the Company to lay down procedures about risk assessment and risk minimization.

The Board of Directors of the Company (“**Board**”) shall form a Risk Management Committee (“**Committee**”) who shall frame a Risk Management Policy and periodically review it as per statutory timelines so that the management can control the risk through properly defined framework. The Board may re-constitute the composition of the Committee, as it may deem fit, from time to time.

III. SCOPE OF POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating, and resolving risks associated with the Company’s business. In order to achieve this key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues. The scope of the Policy shall cover all functions of the Company.

IV. APPLICABILITY

This Policy is approved by the Board of Directors at their meeting held on June 1, 2022, and the said date shall be deemed to be the effective date of this Policy. The Policy shall apply to all areas of the Company's operations.

V. RISK MANAGEMENT PROGRAM

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor, and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Directors through its risk management committee to oversee and manage the risk, while conferring responsibility and authority on the Company's senior management to develop and maintain a risk management program in light of day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure efficacy of its risk management program.

The key elements of the Company's risk management program are set out below:

1. Oversight and management

1.1. Board of Directors

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by the Committee and Senior Management.

1.2. Risk Management Committee

The Committee shall function in accordance with the Terms of Reference which have been approved by the Board. The committee is responsible for guiding and supervising the senior management with respect to the following risk management activities:

- framing the risk management policy and reviewing the policy at least once in two years;
- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks in the risk registers;
- regularly reporting to the Board on the status of material business risks;
- focused review on emerging risks such as cyber security, framing business continuity plan, reviewing ESG performance and ensuring compliance with regulatory requirements and best practices with respect to risk management.

1.3. Senior Management

The Company's Senior Management is responsible for:

- designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate.
- implementing the action plans developed to address material business risks across the Company and individual business units.
- regularly monitoring and evaluating the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate.
- promoting and monitoring the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees.
- reporting regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.
- focused review on emerging risks.

1.4. Employees

All employees are responsible for implementing, managing, and monitoring action plans with respect to material business risks, as appropriate.

2. Risk Management System

The risk management framework shall comprise of the following elements :

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting.
- A combination of centrally issued policies and divisionally evolved procedures bring robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures put in place to effectively address inherent risks in businesses with unique / relatively high-risk profile.
- The Committee may refer particular issues to the Board for final consideration and direction.

3. Review of risk management program

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, assessing risk level, and preparing action plan to address and manage the risk.

Identified risks with high-risk score or exposure rating will be identified and summarized in a Consolidated Risk Register. The Consolidated Risk Register will include risks that affect the financial and operational performance of the Company. The Consolidated Risk Register will be placed at Risk Management Committee meetings.

The Company will regularly evaluate the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure that specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by evaluating the performance of risk management program, the Committee, the Senior Management, and employees responsible for its implementation.

VI. AMENDMENT

Any modification in the Policy shall be approved by the Board. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.
