

## **JOSTS ENGINEERING COMPANY LIMITED**

### **RISK MANAGEMENT POLICY**

*(Amended as on 14<sup>th</sup> August, 2023)*

#### **INTRODUCTION**

Risk Management is an organization-wide approach towards identification, assessment, communication, and management of risk in a cost-effective manner – a holistic approach to managing risk. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

This policy describes Jost's risk management principles and expectations, applicable to all types of risk in all activities undertaken by or on behalf of Jost's. It also outlines roles and responsibilities for the Board of Directors, Audit Committee, Company Risk Management Core Group and Functional heads and all staff.

#### **STATUTORY REQUIREMENT**

This risk management policy is framed by the Company keeping in mind the requirement of Companies Act, 2013. As per the provisions of Section 134 (3) (n) of the Companies Act, 2013, requires the Board of Directors to include a statement in their report to the shareholders regarding development and implementation of risk management policy for the Company including identification therein of elements of risks, if any, which in their opinion might threaten the existence of the Company.

#### **1. RATIONALE**

The rationale of formulating this policy is to:

Incorporate a consistent approach to risk management into the culture and operations of the Company that supports decision making and appropriate resource allocation;  
Monitoring and communication of Risk management activities;

To respond to legislative requirements.

#### **2. SCOPE**

This Risk Management Policy applies to all while considering/preparing, Strategic plans, Operational Plans & activities, Financial Plans and Environment Plans of the Company.

The Company acknowledges that all activities have an element of risk and that not all risks can or should be transferred. The Company is committed to managing risks including strategic risks, at all levels in the organization and summarizes these risks into four broad categories: Operational risk; Financial risk; External environment and Strategic risk.

<b>Operational Risk</b>	<b>Financial Risk</b>	<b>External Environment</b>	<b>Strategic Risk</b>
Cost Overrun	Accounting and related fraud	Environmental Issues (Pollution etc), Government policies	Demand Shortfall
Commodity prices	Finance and Treasury	Laws & Regulations	Customer retention
Operating controls	Asset or capital loss	Corruption and Bribery	Product Pricing
Capacity management	Goodwill and amortization		Integration Problems
Employee Related issues including Fraud	Laws & Regulations		Laws & Regulations
Supply chain issues	Debt and Interest Rates		R & D
Laws & Regulations			Industry / sector downturn

### **3. COMPANY RISK MANAGEMENT CORE GROUP**

A Company Risk Management (CRM) core group comprising of:

Mr. Jai Prakash Agarwal- Chairman, Board of Directors  
 Mr. Vishal Jain- Managing Director & CEO  
 Mr. Rohit Jain – Chief Financial Officer  
 Mr. L Sharat Kumar- CEO-EPD  
 Mr. Dhanaji Sawant- CEO-MHD

This Core group shall be collectively responsible for developing the Company's Risk Management principles and Risk Management expectations, in addition to those specific responsibilities as outlined in Risk Management Roles and Responsibilities referred to below:

It shall be also responsible for the review of risk management processes within the Company and for overseeing the implementation of the requirements of this policy. The CRM Core Group will provide updates to the Audit Committee and Board of Directors of the Company on key risks faced by the Company, if any, and the relevant mitigant actions.

Sub-Risk management group(s) may be established by the CEO by including such

members as he may deem fit to address specific risk areas.

At an operational level, the respective functional heads / managers are responsible for identifying and assessing risks within their area of responsibility, implementing agreed actions to treat such risks; and for reporting any event or circumstances to CRM Core Group that may result in new risks or changes in existing risk profile.

#### **4. ROLES AND RESPONSIBILITIES**

##### **Board of Directors:**

- Approving and authorizing the Policy.
- Reviewing the CRM Core Group consolidated reports that identify the principal risks to the Company and the mitigation strategies in place.

##### **Audit Committee:**

- Review of the Company's Risk Management Policy and Process;
- To take note of report on the Company's risk profile by CRM group and to brief to the Board of Directors.

##### **Chief Executive Officer:**

- Identifying all significant risks to the Company's businesses and ensuring that procedures are established to mitigate the impact of the risks in the best interest of shareholders.
- Appointing or recommending the Members of Company Risk Management Core Group

##### **Company Risk Management (CRM) Core Group:**

- Analyze strategic, operational, financial, environmental, enterprise risks and develop effective risk treatment, direct or approve risk treatments, allocate sufficient resources to implement risk treatments and to monitor the results of risk treatments.

##### **Functional Heads / Departmental Heads / Product line Heads:**

- Maintaining good internal controls, managing their operational risks and advising their immediate subordinates of any risks in their portfolio that cannot be managed operationally and should be submitted to the CRM Group.

- Identifying risks and developing and implementing risk management practices, including mitigation strategies, systems, controls and business continuity plans specific to their respective Function/Divisions, which are aligned with and complementary to the Policy.
- Prepare and communicate risk management reports mentioning the major business risks for the Function / Division.

**All employees:**

- Identify risks affecting Company and to reduce the risks of loss or achieve the potential gains, in a manner compliant with legislation and as per the instruction of head of department i.e. functional head.
- Report the risks, if any, to functional head.

## **5. RISK STRATEGY**

Risk management is a structured and disciplined approach to assessing and managing the uncertainties that the Company faces, as it creates and preserves value.

The Company believes risk taking is a necessary and accepted part of our business. Effectively managing risk is a competitive necessity and an integral part of creating shareholder value through good business practices designed to ensure that the Company achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity. In the context of realizing strategic objectives, some amount of failure is an accepted outcome of risk taking as long as risks have been properly assessed..

The Company believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Retained, on account of compelling and justifiable reasons
- Shared, by following a middle path between retaining and transferring risk.

The Company does not engage in speculative activity which is defined as a profit-seeking activity unrelated to the Company's primary business. The Company is committed to managing the risk in a proactive and effective manner.

## 6. RISK MANAGEMENT PROCESS

<p>Everyone</p>	<ol style="list-style-type: none"> <li>1. Identify risks affecting Company that you may or may not be able to effectively manage to reduce the risks of loss or achieve the potential gains, in a manner compliant with legislation and as per the instruction of your head of department i.e. functional head/ product line head.</li> <li>2. Report the risks, if any, to your functional head /departmental head / product line head.</li> </ol>
<p>Functional Head</p>	<ol style="list-style-type: none"> <li>1. When commencing a new activity, conduct a risk assessment in accordance with the Company's Risk Management Policy</li> <li>2. If you become aware of an untreated risk in your portfolio, determine the potential impact of the risk on your operation or of the Company and the likelihood of that impact to occur.</li> <li>3. Determine if you should:             <ol style="list-style-type: none"> <li>a. Avoid the risk – i.e. discontinue the activity giving rise to the risk if it will not negatively affect operational objectives</li> <li>b. Transfer the risk – i.e. Hire a contractor, buy insurance etc.</li> <li>c. Treat the risk-i.e. Take additional measures to minimize the losses and/or maximize gains such as altering procedures, adding additional safety measures in production area, taking services of qualified professional/service provider, keeping stock of frequently moving items/products/raw materials, back up pf data etc.</li> <li>d. Accept the risk- i.e. The potential loss is not significant and reasons are justified.</li> </ol> </li> <li>4. If in doubt, seek advice from the Chief Executive Officer of the Company.</li> <li>5. If you are unable to take appropriate action due to lack of authority or organization support or otherwise, consider working with one or more other functional head(s) to treat the risk.</li> <li>6. If step 5 is not feasible, report the risk to the Chief Executive Officer of the Company</li> </ol>
<p>CRM Core Group</p>	<ol style="list-style-type: none"> <li>1. Validate the risk analysis in light of existing strategic, operations, financial, environmental planning /objectives.</li> <li>2. To discuss and direct the actions to mitigate the risk</li> <li>3. If the risk is significant, inform the Chairman of Audit Committee or the Board of Directors, even if you are able to treat the risk.</li> </ol>



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## **7. AMENDEMENTS**

The Board, subject to the provisions of the Companies Act, 2013 and other laws as applicable in this regard from time to time, reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.

## **8. APPROVAL**

This Risk Management Policy has been approved by the Board of Directors at their Meeting held on 27th May, 2015 to be effective from the said date.

## **9. DISCLAIMER CLAUSE**

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Readers are requested to exercise their own judgment in assessing various risks associated with the Company.

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