**JAYANT AGRO's RISK POLICY DOCUMENT**

**Purpose**

This policy document is a formal acknowledgement of the commitment of the Organisation to Risk Management within the Jayant Agro Group. The purpose of this document is to:

- Communicate objectives and key principles of risk management in the Group;
- Develop a common understanding across the Group of what are, and are not, acceptable risks, so that decisions across management levels are taken in accordance with the Group's Risk Strategy;
- Formalize and communicate consistent Process, Tools and Metrics for Identifying, Measuring, Mitigating, Monitoring and Reporting risks at all levels (Assets/Business Units/Group);
- Establish the necessary Status, and Independent Oversight of Risk Management over other functions in the Group through the senior leadership team;
- Assign accountability to all staff for the management of risks within their areas.

**Policy Statement**

The Organisation considers Risk Management to be fundamental to good management practice, and a significant aspect of the Group's governance. Effective management of risk will contribute towards Shareholder Value Protection and the achievement of the Group's goals. The Organisation is thus committed to fostering a culture of risk management, and developing & implementing frameworks, processes, tools and structures that systematically and proactively identify, measure, mitigate and manage risks.

**Risk Management Objectives**

The price objective of risk management would be Shareholder Value Protection, by ensuring that the overall risk in the Group is within acceptable levels.

**Key Risk Management Principles**

The Group's Risk Objectives would be achieved by following six key risk management principles:

Explicit risk evaluation:

Risk evaluation will be an integral part of any decision. To ensure high quality decisions, risks will be investigated in sufficient depth, quantified as far as possible, and communicated using probabilistic estimates for clarity. Major risks will be mitigated to the extent possible, or will be highlighted as being uncontrollable. All types of risks – strategic, market, operational (Peoples, Process, Systems), legal, regulatory – will be evaluated.

<u>Integrated approach</u>:

The Group will adopt an integrated approach to risk management in which risks across all assets and Business Units (BUs) will be compared in a consistent manner, and can be aggregated to form the overall picture for the Group.

<u>Independent viewpoint:</u>

1. Chairman
2. CFO

<u>Decentralized Risk Management</u>:

The RCMC shall serve as the “owner” of all tools, methodologies and processes used for Risk Management, and would provide these to the Business Units (BU). The Bus will focus on implementing these policies and methodologies to identify, measure, mitigate, monitor and report key risks.

<u>Consultative Approach:</u>

The Business heads would consult the RMC, with the projected IRR, Break-even period and Payback period, etc., before taking a new project on whether a proposed Project conforms to the Group’s Risk Policy, and whether the type and quantum of risk is acceptable.

<u>Continuous assessment:</u>

The RMC would continually assess the risks for changes in the market circumstances, and prepare updated Risk Reports.

**Acceptability Risks**

The acceptability of risks would be in the following order:

- Regulatory & Governmental risks (where the decision of a single person can greatly influence the sector outlook).
- Product & Market risks;
- Operational Risks
- Economic Risk

- Finance Risks
- Insurance Risks

Further, taking significant risks in areas such as trading and money markets, which are outside the "core business" of manufacturing and trading, is unacceptable. If at all the surplus fund is to be invested then it shall be only in debt funds.

**Risk identification & Evaluation**

The MANAGEMENT mandates that Bus follow consistent processes, tools and methodologies for identifying, measuring, mitigating, monitoring and reporting all risks. The Bus should analyze risks in sufficient depth and quantify them as far as possible by assessing the probability of occurrence and the potential impact. In particular, during Risk Evaluation of Projects and Strategic Decisions, special emphasis should be laid on the following:

- Identifying key risk factors for each alternative;
- Obtaining high quality information (from experts/secondary sources, if required) for the assessment of these risks;
- Prioritize risks based on their impact;
- Developing alternate strategies for Risk Mitigation including options for transfer, sharing, avoidance and reduction of risks.

**Risk Aggregation**

The Business heads would be responsible for developing and implementing appropriate strategies for mitigating key risks. Risks, which are not within this policy's scope, should be avoided. Certain other risks where the exposure is unacceptable should be hedged, transferred or shared with other entities.

When risks are accepted, a strong system of internal controls should ensure that risk management measures are executed, and are effective. Risk arising from lack of appropriate controls should be highlighted by RMC, and these should be taken up by Internal Audit for correction.
The "residual risk" post risk mitigation should also be measured, monitored and flagged off to the relevant decision makers.

**Risk Monitoring & Reporting**

The RMC should provide regular updates to the Chairman on:

- Key Group level risks;

- Potential impact of these risks, with comparison from the past;
- Initiatives taken up / Progress on initiatives taken up to mitigate these risks.

## RESPONSIBILITY & ACCOUNTABILITY

### Risk Management Committee

The RMC would be responsible for providing central coordination and independent oversight for managing the Group's risks. RMC shall focus on the Group's Risk Policies, Risk Measurement Techniques and Risk Management Practices in a consultative manner. The RMC would provide assurance to the MANAGEMENT of adherence to the Risk Policy, and all the Risk management processes by the Business Units. The RCMC would also periodically update the MANAGEMENT of the key Group level risks, their potential impact and mitigation measures to contain them.

The RMC would also be responsible for supporting the development and implementation of appropriate Procedures, Systems and Processes for risk management in all the Bus. RMC would be responsible for building capabilities for all Business heads, and communicating their responsibilities under this Policy.

### Chairman

The Chairman will have ultimate responsibility for the oversight of risk management within the Group. Part of this responsibility includes determining the level of risk, which is acceptable to the Group, and ensuring that all structures, processes and people in the Group work will to manage key risks.

### Business Heads

The Business heads will have primary responsibility for identifying, analyzing, measuring and reporting key risks in their business. They will be responsible for conducting Risk Evaluations in accordance with the guidelines of this Policy. They will also provide the RMC with the necessary data for risk evaluation and aggregation as and when required.

### Internal Auditors

They would play an important role in monitoring risk, but would not have primary responsibility for its design, implementation or maintenance. They would assist the RMC by auditing the adherence to control systems, and their effectiveness. They would also flag off any new risks that may emerge during the internal audit reviews.