JAYASWAL NECO INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

Preamble

In the dynamically changing business environment, Jayaswal Neco Industries Limited (termed as 'JNIL' / 'Company') is exposed to a plethora of risks, so Board of Directors have adopted a comprehensive policy with regard to Risk Management. A robust governance structure has been developed; the Board of Directors has constituted a Committee of the Board called the Risk Management Committee.

Through the Risk Management Policy, the Company expects to proactively identify potential critical problems being faced by the Company's businesses which operates in an interconnected world with stringent regulatory and environmental requirements, increased geopolitical risks and fast-paced technological disruptions that could have a material impact across the value chain of the Company and be able to take most optimal appropriate measures.

Risk management is an attempt to identify and manage threats that could severely affect or be detrimental to the organization. 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.

Purpose

As per the Regulation 17(9) of the SEBI, LODR, 2015, (a) the listed entity shall lay down procedures to inform members of the Board of Directors about risk assessment and minimization procedures, (b) The Board of Directors shall be responsible for framing, implementing and monitoring the Risk Management Plan for the listed entity.

Section 134(3)(n) of the Companies Act, 2013, requires a statement to be included in the report of the Board of Directors of the Company, indicating development and implementation of a Risk Management Policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company;

Section 177(4)(vii) of the Companies Act, 2013, requires that 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 Risk Management Systems.

Further, the paragraph (C) in the part (D) of the Schedule II of the SEBI LODR, which specified the role of Risk Management Committee inter-alia include that the committee shall formulate a detailed Risk Management Policy.

Recently there were also amendment made in SEBI, LODR, 2015 based on which there has been change in the terms of reference of the Risk Management Committee which has been approved by the Board of Directors of the Company.

The revised terms of reference includes formulation of 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.

Hence this updated Risk Management Policy has been framed to ensure efficient and effective assessment and management of risks in the achievement of the objectives of the Company on an ongoing basis and also has been aligned with the SEBI, LODR amendments.

Risk Strategy:

JNIL recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner.

The Company believes that 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;
- Avoided, by not entering into risky business;
- Retained, to either avoid the cost of reducing risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

JNIL is a Company engaged into diversified business products divided into two main divisions namely **i) Foundry Division and ii) Steel Plant Division.**

In today's challenging and competitive environment, it is must to devise strategies for mitigating inherent risks in accomplishing the growth plans of the Company. The common risks inter alia are: Regulations, Competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities.

Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk.

For managing risks more efficiently, the company has to identify the risks that it faces in trying to achieve its objectives. Once these risks are identified, it has to evaluate them to see which of the risks will have critical impact on the Company and which of them are not significant enough to deserve further attention.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

Risk Management Framework

Objectives must be clearly defined before the management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a proper process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

JNIL seeks to adopt systematic approach to mitigate risks associated with accomplishment of its objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

The aim of risk management is to maximize opportunities in all activities and to minimize adversity. The policy applies to all activities and processes associated with the normal operations of the Company.

Effective risk management allows the Company to:

- ❖ Embed risk management as an integral part of its business processes;
- ❖ Establish an effective system of risk identification, analysis, evaluation and treatment within all areas and all levels;
- ❖ Make informed decisions;
- ❖ Avoid exposure to significant reputational or financial loss;
- ❖ Assess the benefits and costs of implementation of available options and controls to manage risk;
- ❖ Have increased confidence in achieving its goals;
- ❖ Strengthen corporate governance procedures.

Thus, it is the responsibility of all Board members, Senior Management and employees to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

The Company's Risk Management Committee has defined roles and responsibilities. The Committee does submit its periodic report to the Board of Directors as regards the measures taken for mitigation of Risks in the organization.

JNIL believes that the activities at all levels of the organization, viz., Enterprise level; Division level; Business Unit level; are considered in the Risk Management Framework. All these components are interrelated and drive the Enterprise Risk Management with focus on three key elements, viz. **Risk Assessment, Risk Management and Risk Monitoring.**

- **Risk Assessment**

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. It refers to the process followed to comprehend the nature of risk and determine the level of risk. Risk assessment is intended to provide inputs for risk evaluation.

Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

During this process, events with potential of impacting objectives are assessed and included in the overall risk profile of the respective Business Functions/ Departments.

Risk profiles of the various Departments are combined to form a portfolio view of risk at the corporate level.

Techniques of risk analysis - Risk analysis involves consideration of:
 Risk velocity – How quickly is the risk likely to manifest itself
 Likelihood of risk events – How frequently the event / risk is likely to occur
 Impact of risk – Quantum of the effect of the event / risk

To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified / analyzed and plans for managing the same are laid out.

- **Risk Management and Risk Monitoring**

In the management of Risk, the probability of risk assumption is estimated with available data, information and appropriate risk treatments worked out in the following areas:

1. **Economic Environment and Market conditions**

2. **Fluctuations in Foreign Exchange**

3. **Political Environment**

4. **Competition**

5. **Revenue Concentration**

6. **Inflation and Cost Structure**

7. **Technological Obsolescence and Cybersecurity Risk**

8. **Financial Reporting and Financial Leverage Risk**

9. **Risk of Corporate accounting fraud**

10. **Legal Risk**

11. **Quality and Project Management**

12. **Environmental Risk and Pandemic/Epidemic Risk Management**

13. **Human Resource Management**

In principle, risks always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications are made as necessary.

Risk Mitigation: -

Risk mitigation is an exercise aimed to reduce the loss or injury arising out of various risk exposures.

Risk Management Policy Objectives and Measures to Achieve them:-

The objective of the Risk Management Policy is to manage and ultimately achieve a substantial reduction in risk exposure and maintain it at an acceptable level.

To achieve this objective in the long term, the following key policies, processes, controls and activities are to be adopted and performed:

- A Risk Management process, which involves developing mitigation plans for the key risks the company is likely to face;
- Identify, maintain, and periodically review Risk Categories for classification of risk;
- Regular reporting to the Board and the Audit Committee by the Risk Management Committee of the key strategic, operations, reporting and compliance risks the company is facing or likely to face, the level of risk and the processes implemented to manage each of these key risks;
- Risk Management Committee to identify the risks impacting the company's business, document the process of risk identification, risk minimization, as a part of a Risk Management Policy or Strategy;
- A planning process involving the preparation of business plans, budgets and rolling quarterly forecasts;
- Analysis of financial performance and significant balance sheet items including comparisons with prior periods;
- A comprehensive internal audit program designed to review the quality and effectiveness of internal processes, procedures and controls;
- Half year and annual audit performed by the external auditor;
- Management review of the balance sheet and internal control environment;
- Review of financial performance compared to budget and forecast;
- Business Conduct Panel to monitor and receive reports concerning instances of non-compliance with the set standards and policies;
- Monitoring of the company's liquidity and the status of renewals of finance facilities;
- Maintaining an appropriate insurance program;
- Maintaining policies and procedures in relation to treasury operations;
- Issuing and revising standards and procedures in relation to environmental , health , governance and safety matters including a program of safety audits across the company;
- Implementing and maintaining training programs to promote risk aware culture throughout JNIL;

- Litigation reporting;
- The matters concerning delegation of authority, procedures requiring significant contracts, capital expenditure and other items to be approved at the appropriate levels; and
- Articulating detailed accounting policies and procedures with ongoing monitoring to ensure consistent application.

The company considers that a sound framework of Risk Management Policies, Procedures and Controls is fundamental to good corporate governance.

The Risk Management and Mitigation measures to be undertaken in the Identified Risk areas are as under:-

Sr. No.	Identified Risks	Risk Management and Mitigation measures
1	**Macro-Economic and Market conditions**	Having a robust marketing department with active perusal of the macro-economic and sector wise growth particularly in public and private infrastructure, real estate and automotive and auto components sectors as against projected levels by the Government which has direct correlation to the market availability for the Finished Steel and Casting products of the Company.
		Active perusal of the market conditions, dumping scenario, liquidity position of the customers.
		Having a vigilant and proactive Corporate Affairs Department with representations to the various Central and State Ministries directly and through various associations on the measures to be undertaken to improve the market scenario, rectify the GST and import duty structure on inputs and output, put restrictive and punitive anti-dumping measures to protect the domestic industry, address direct tax proposals, address state laws, regulation issues etc.
		Constant process of Product and Market Research and Development, Product Innovation and identifying Customers' needs and redressal mechanism of their issues and grievances.

		Development of alternate markets and new customers with specific thrust on new areas.
		Tracking global market conditions, industrial scenario, gauging its likely impact on the Indian situation and taking proactive measures to insulate the Company from the same.
		Taking expert advice on the implication of various Central and State Government policies and its likely impact on the business situation of the Company and the steps to be taken to effectively counter any negatives and take quick advantage of the positive developments.
		Implementing Global Benchmarks in Operational Efficiency.
		Augment revenue generation from Value added / enriched new Rolling Mill products.
2	**Fluctuations in Foreign Exchange**	Appropriate Foreign Exchange Hedging Policies and having Robust Foreign Exchange management department with constant forex market tracking.
		Having access to Forex Research Reports of the Experts and subscribing to Forex research and analysis software.
		Constant tracking and evaluation of the Global events having a possible impact on the Forex Outflows/Inflows.
		Keeping track on the Reserve Bank of India measures and their steps to curb Forex volatility, keeping track on the Stock markets with possible correlation to the Forex Market.
		Pursuing forward looking and active hedging policy to hedge the forex risks on account of Raw Material, Capital Goods Imports and servicing of any Foreign Currency Loans. The underlining aim being to freeze the costs and not to engage in speculation.
		Complying with Reserve Bank of India guidelines by furnishing mandatory quarterly certification by the management on the Unhedged Forex exposure and yearly certification jointly signed by the management and the Statutory Auditor to all the Bankers of the Company as applicable.

		To ensure that the Company is not levied any costs for extra provisioning required by the Banks on the Unhedged Forex exposure vis a vis the Earnings of the Company as per the FEDAI Guidelines.
3	**Political Environment**	Having a Strong Corporate Affairs department with expert negotiation and liasioning skills to negotiate issues at the Local, State Government and the Central Government ministries.
		Having a non-aligned approach i.e., being apolitical without any political affiliation.
		Maintaining cordial relations with all the parties.
		Assessing the likely impact of the change in the Governments on the business of the Company and deciding proactive strategies in business by anticipating likely policy actions.
		Maintaining ethical and transparent approach of dealing with all the parties and their governance structure including bureaucracy at local, state and central government levels.
		Dialogue with regulatory authorities for greater clarity and availing legal consultations for timely clearances.
4	**Competition**	Be an active member of the Pig Iron, Sponge Iron and Iron & Steel Manufacturing Associations, Foundry, Power and Mining Associations. Participate in the panel discussions on various topics and attend meetings promptly.
		Working with industry associations towards simplification of rules, a predictive and stable policy regime and transition time for regulatory changes.
		Gauge and analyze the competition in the Sector, key strengths of the competitors including the process, product quality and market penetration, exploring feasibility to incorporate those strengths in the Company.
		The marketing depots and zones should give ground level feedback on the customer satisfaction, penetration of those markets by the competitors, pricing strategies of the competitors, their cost competitiveness etc.

		Actively analyze and understand the technologies used, processes adopted by the competitors by engaging in vital discussions with the suppliers, chartered engineers, contractors. To try to incorporate any positives for the benefit of the Company.
		Establishing sources of supplies from alternate geographies.
5	**Revenue Concentration**	Diversification of product portfolio to counter overcapacity & oversupply in the steel industry impacting steel prices, profitability and slower than expected pace of growth.
		Periodically analyze segment, product, zone wise revenue generation and share.
		The Research and Development department to constantly strive to innovate and develop new products and get them approved by the customers, constantly strive to develop new markets for the products including exports to avoid concentration risks.
		To evaluate the possibilities of tie ups with channel partners for marketing the product in hitherto under-penetrated regions, entering into technology sharing pacts, if required to develop new products.
6	**Inflation and Cost Structure**	Inflation risks are inherent in any growing economy. Developing early tracking signals of spiraling inflation, thereby ordering critical and high value equipment and materials by entering into contracts at better prices and keeping finances ready to honor the commitments.
		Keeping sufficient contingencies in appraising Project costs while financing them with the Banks/Financial Institutions.
		Exploring possibility of awarding Turnkey Basis Fixed Price EPC Contracts to reputed contractors to ward off the effects of cost escalations due to inflation. The same can ensure completion of projects without cost overruns.
		Recruiting quality manpower in relative downturn in economy. It can reduce manpower costs.

		Constantly evaluate production processes to improve on yield, reduce wastages, recycle/use wastes in further processes, and eliminate processes which can be avoided.
		Constantly look at ways and means of production, projects execution, financing cost rationalization.
		Periodically analyze and compare cost sheets with that of the competitors by engaging the help of outside technical experts and look at ways and means to reduce the costs.
		Annual and monthly detailed operational and cash budgets to be prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc. These budgets with Variance Analysis to aid in better financial planning, cost control and study of factors giving rise to variances.
		Enhancing in-house capability and leveraging from past learnings and expertise.
		Enhancing in-house capability in logistics.
		Integration of business planning and cashflow projections with liquidity management.
7	**Technological Obsolescence and Cybersecurity Risk**	The plant heads in coordination with the project department to constantly monitor the technology in use by the competitors, availability of new technology with its perceived benefits in the market and develop quick strategies to acquire latest technologies to derive competitive edge for the Company's production processes and the product.
		Constantly engage with reputed national and international suppliers and chartered engineers to know the best-in-class technologies being developed and used and explore commercial feasibility of its acquisition by the Company.
		Maintain and upgrade the EDP systems on a continuous basis with personnel with adequate training in software and hardware.
		Raising awareness of cybersecurity issues and improving the digital literacy and skills in terms of recognition and management of threats is a high-priority action for the Company. The Company is implementing SAP S4/HANA Software at its Integrated Steel Plant division with the help

		of software implementation partner and hardware providers. It need to constantly engage with them to ensure to identify, assess and take proactive steps to eliminate and mitigate the impact of cyber security risks. Certain macro steps to be taken by the Company proactively to deal with the cybersecurity risks are as follows:- • Identify the threats • Beware of cybercrimes • Monitor employees • Avoid hacking by using two factor authentication • Conduct audit by cybersecurity consultants on periodic basis • Ensure a Strong sign off policy • Protect important and sensitive data • Conduct cybersecurity risk assessment on periodic basis • Garner indepth knowledge about risk factors, develop detailed rules and regulations to be followed by the employees and workers based on the findings of systematic cyber audits.
8	**Financial Reporting and Financial Leverage Risk**	Have a team of professionally qualified CAs, ICWAs, MBAs in business units and Corporate Accounts departments and CSs in Secretarial Department.
		Impart constant training to the Financial and Secretarial professionals by encouraging them to attend all the relevant seminars, group discussions on financial reporting requirements, making them aware of the risks of improper reporting and disclosures, making them fully conversant with the Accounting Standards, Guidance Notes, Auditing Standards of ICAI, Secretarial Standards of ICSI, IFRS reporting requirement, reporting and disclosure requirements under the Companies Act, 2013.
		Have robust compliance monitoring on periodic basis to ensure that all the financial reporting and disclosure requirements are complied with in stipulated time.
		Ensuring meticulous compliances of debt covenants.
		Post Debt Restructuring implementation strive to attain Maximum Debt to EBIDTA ratio of 4:1 and Maximum Total

		Outside Liability (TOL) to Tangible Net Worth (TNW) ratio of 3:1 .
		Engage in constant discussions with the Company's Statutory Auditors, practicing Company Secretary conducting Secretarial Audit and the Cost Auditor of the Company to ensure effective compliance with all the financial reporting requirements.
		Implement most compatible accounting software / online control system to comply with the statutory requirements of audit trail and cater the organizational need to ensure throughput & material movement control through system and ensure complete financial reporting through software only.
		Remain committed to maintaining high standards of corporate governance and public disclosure and to comply with evolving laws, regulations and standards.
9	**Risk of Corporate Accounting Fraud**	Have a full-fledged Internal Audit department for all the divisions of the Company. The Audit team should submit periodic reports directly to the top management and immediately bring to their notice any possibility of accounting fraud. The top management in turn should report the matter to the Audit Committee and the Board of Directors along with the remedial measures.
		If required, the Company should engage the services of Forensic Audit experts to unearth Corporate Frauds and to implement effective checks and balances in the system to avoid their recurrence.
		Engage with the accounting professionals on periodic basis to make them understand the need for and importance of ethics, transparency and need to follow best accounting practices. Make them aware of the serious consequences of committing accounting frauds.
		Adhering to internal control practices that prevent collusion and concentration of authority.
		Employing mechanisms for multiple authorization of key transactions with cross checks.

		Creating a favorable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals.
		Incorporate robust Cash Monitoring practices for better liquidity control and cooperate fully with Lenders appointed Concurrent Cash Flow monitoring agency as applicable.
10	**Legal Risks**	Have a full-fledged in-house Legal Department. Engage the services of best outside legal experts on case-to-case basis.
		Evaluate legal risks, analyze possible consequences and develop strategies for litigation regarding the cases being filed against and by the Company.
		Ward off against the possibility of engaging in frivolous litigation which becomes a drag on the resources and the time of the Company.
		Give adequate disclosures of the litigations to the stakeholders in the Notes to Accounts of the Company.
11	**Quality and Project Management**	To have a competent Quality Control department to ensure product quality and minimum rejections.
		To have a Project Management Committee and a strong projects technical and commercial department to monitor the planning, execution, procurement and to tackle various issues regarding various projects being implemented.
		Strong engineering and project team to implement project within budgeted time and cost. Ensuring that learnings from previous projects are applied for improved execution.
		Engage the services of Owners Engineers to facilitate in Projects monitoring and implementation.
		Ensure timely completion of the Projects without cost overruns.
12	**Environmental Risk and Pandemic/Epidemic Risk Management**	Have a robust Environmental Management Department with highly qualified personnel.
		Ensuring timely compliance with all the Statutory approvals including MOEF, State Pollution Conservation Board etc.

		Ensuring implementation of all the stipulations given in the Statutory Approvals by the relevant authorities.
		Having environmental friendly equipment and production processes.
		Ensuring sufficient green cover in all the units.
		Having effective waste disposal mechanism, taping waste heat/gas by utilizing the same for power generation.
		Minimizing effluent discharge and augment water intake through recycling / harvesting.
		Enhance value from slag, By-product gas & Scrap.
		Sustainable Mining through focused initiatives around prevention, recovery, reuse and recycle to minimize ecological footprint.
		Developing processes to deal effectively with the Covid -19 pandemic or any other epidemic or pandemic in future, strictly follow instructions issued by Governmental authorities for its workers, contractors and employees. Carry out awareness campaigns, implement measures for sanitization and social distancing and explain the need and importance to adhere to them amongst the workers, contractors and the employees. Facilitate large scale vaccination of its Employees, workers, contract labours and their family members.
13	**Human Resource Management**	To have a Human Resource Management Department in all the units manned by qualified HR professionals.
		Recruiting right people for the right job at optimum costs.
		Build relations and engage with key stakeholders including local /regional people, interest groups and bureaucracy across levels of administrative machinery (taluka to state level) to address labour or social unrest.
		Succession planning for Senior Management to ensure continuity in business.
		Developing and implementing strategies to train manpower on the organizational objectives, goals, departmental requirements.
		Augment management training resources /infrastructure in line with new age digital technologies.

		Develop effective motivational and employee retention strategies to ensure their effective performance and their longevity to ward off the risks of employees leaving the Company.
		Proper appraisal systems with the participation of the employee and consistent with job content, peer comparison and individual performance for revision of compensation on a periodical basis.
		Comply with all the Statutory Departmental compliances and formalities in timely manner like PF, Pension Fund, ESIC etc.
		Maintain cordial relations, environment and discipline in the organization.
		Complying with the requirements of all the labour laws, CSR activities and ensuring mandatory CSR expenditure as stipulated by the Companies Act, 2013.
		Address core development gaps for significant betterment in the well-being of communities through signature programs around key focus areas of Health, Education, Skill development, Sustainable livelihood, Sports & Ethnicity - Maternal & Newborn Survival Initiatives, Right to education projects etc.
		Ensuring proper departmental structures, delegation of authority structure in every department so that dependency on few key people is reduced and risks from their resignations can be countered.
		Engaging services of top-notch HR Consultancy firms to hire right talent in minimum time.

BUSINESS CONTINUITY PLAN

A Business Continuity Plan (BCP) refers to an organization's system of procedures to restore critical business functions in the event of an unplanned disaster. These disasters could include natural disasters, security breaches, service outages, or other potential threats.

BCP establishes the principles necessary to ensure emergency response, resumption and recovery, restoration and permanent recovery of the operations and the critical business activities from a business interruption event.

The Business Continuity Plan of the Company inter-alia includes the following:

- **Broad scenarios that would be defined as disaster/events/hazards which would disrupt the operations of the Company which may include the following:**
  - Natural hazards including geological (e.g. earthquake, landslide, flood), severe weather (e.g. hurricane, extreme heat or cold), and biological (e.g. pandemic).
  - Human-caused events (e.g. theft, facility fire, security breach, intellectual property compromise).
  - Technological-caused events (e.g. outage of power, communications, fuel).
  - Plant breakdown events and Manpower/labour caused events etc.

- **Consequential Actions to be followed in the Event of Disaster:**
  - Standard Operating Procedure as defined.
  - Escalation hierarchy within the Company to handle the Disaster as defined.
  - Clear and comprehensive Communication Protocols and Procedures for both internal and external communications from the time of the incident till the resumption of operations.
  - Framework to constantly monitor health and performance of the Critical Systems in the normal course of business.

Disclaimer Clause

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

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