

BALMER LAWRIE & CO. LTD.
Enterprise Risk Management Policy (ERM)

1.Overview:

1.1 Background

Risk Management is an integral part of an effective management practice. There is a strong correlation between risk and opportunity in all business activities and it is very important that a company identifies, measures and manages the risks so as to minimize threats and capitalize on the opportunities to achieve the organization's strategic objectives. Rapid and continuous changes in the business environment have made it necessary for management to increasingly become more risk-focused.

The Securities and Exchange Board of India (SEBI), has included Risk Management as part of Securities & Exchange Board of India. (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) requirement. As per Regulation 17 of the SEBI LODR, disclosures to the Board are to be made by the listed entity on whether the risk assessment and its minimization procedures are in place. As per the Companies Act 2013, there are specific requirements for Risk Management that a Company needs to comply with. In addition, the Board of Directors and Audit Committee have been vested with specific responsibilities in assessing the robustness of risk management policy, process and systems.

1.2 Objective

Balmer Lawrie & Co. Ltd. has established its strategic objectives through the *Vision document*. Balmer Lawrie & Co. Ltd. recognizes that these strategic objectives will generate risks which need to be assessed and successfully mitigated so that they do not adversely affect achievement of its strategic objectives.

This document lays down the frame work of Enterprise Risk management at Balmer Lawrie & Co. Ltd. The objective of the ERM at Balmer Lawrie & Co. Ltd is to create and protect stakeholders value by minimizing the threat and identifying & maximizing the opportunities.

Risk Management within Balmer Lawrie & Co. Ltd. is the responsibility of the Company's people, and the proactive identification of risks will be actively encouraged and supported.

2. Risk Management Framework

2.1 Risk Assessment

Risk assessment consists of the following steps:

2.1.1 Risk Identification:

Risk identification consists of determining which risks are likely to affect Balmer Lawrie & Co. Ltd. and documenting the characteristics of those risks. Risk identification is an iterative process (it is not a one off event, but must be repeated on a periodic basis) and should address both internal and external risks to the Company. A well-structured systematic process is critical as a risk not identified at this stage may be excluded from further analysis. The aim is to develop a comprehensive list of sources of risk and events that might have an impact on company's objectives or outcomes. It is important to describe the risk clearly. When describing a risk event, it is important to outline how the risk event might happen, why the risk event may happen, and who or what it may happen to.

2.1.1. Risk Categorization:

Risks are classified according to the source of their primary root cause. Classifying risks according to source enables the management to understand the aggregate impact of each risk and prioritize response strategies. Balmer Lawrie & Co. Ltd. will classify risks using the following criteria: Financial, Operations, Reputational, and Compliance

- a) **Financial Risks-** Events which on materializing will create financial obligation on the company or will impact the profitability of the company leads to financial risk.
- b) **Operations Risks-** Operations risks may arise due to difficulty in meeting production targets due to improper sales planning, improper equipment planning, non- availability of raw materials/ spares on time, breakdown of machinery etc. Also, Safety risks forming part of operational risks are those which arises due to non- compliance to safety standards of the company which may result in loss of human life/ property.
- c) **Compliance Risks-** Risk which arises due to non- compliances under different Acts, Regulations and Statutes is called Compliance risk.
- d) **Reputational Risks-** Events which on materializing will impact the reputation of the company leads to reputational risk.

2.1.2 Risk Analysis and Prioritization:

Risk rating /rating criteria indicate the range for measuring consequence of occurrence of a risk event, probability of occurrence and mitigation plan effectiveness. Risks are rated on the basis of financial consequence (quantitative) as well as operational effectiveness (qualitative).

- Quantitative: Risks are rated purely on the basis of financial consequence
- Qualitative: Risks are rated on the basis of impact on factors affecting operational effectiveness / reputation
- Risk rating criteria will be proposed by the Chief Risk Officer to Audit Committee and Risk Management Committee for further inputs. The approval will be given by Board of Directors.

2.1.3 Risk Response:

Risk response consists of determining the appropriate action to manage risks categorized within the levels defined by the Company. Appropriately responding to risks involves identifying existing response strategies and the need for any additional response. Accordingly, ownership and responsibilities for the risk response plans are articulated and approved.

2.1.4. Risk Management Structure:

Level	Key roles & responsibilities
Board of Directors	Development and implementation of a risk management policy for managing risks and that it is operating efficiently
Audit Committee (AC)	(a) Provide direction and evaluate the operation of the Risk management program; and (b) Review risk assessments prepared by the Functional Champions/Risk Owners and reviewed by Chief Risk Officer.
Risk Management Committee (RMC) (Members of Audit Committee would be the members of RMC)	(a) Set the direction for risk management process (b) Oversee risk assessment and prioritize key risks which can act as hindrance in achievement of organizations strategic business objectives.
Chief Risk Officer	(a) Evaluating the compliance in relation to control mitigation plan and timelines and reporting to RMC and AC on efficacy of Risk Management Framework. (b) Initiating and coordinating activities for operationalizing the RMF and reporting to RMC and AC. (c) Periodically review the process for systematic identification and assessment of the business risks. Provide inputs and recommend mitigation controls to RMC
Risk Owners	(a) Understanding the issues and its impact. (b) Performance assessment of mitigating controls.
SBU/ Functional Nodal Officer	Coordination amongst functional champions for consolidation of risks and reporting status of implementation of the mitigation plan to Risk Owners
Mitigation Plan Owners / Functional Champions	Implementing the RMF in their operational area and reporting on the progress through Risk Owners

2.1.5. Risk Monitoring:

Risk monitoring and reporting consists of providing the *Audit Committee, Risk Management Committee and Board of Directors* with information on Balmer Lawrie & Co. Ltd.'s risk profile and the status of risk response plans.

2.1.6. Communicate and Consult:

Communication facilitates a holistic approach to identifying, assessing, and managing risk and facilitates the development of a culture where the positive and negative dimensions of risk are openly discussed. Involving stakeholders in the risk management process across management hierarchies of the Company, would create an environment where the discussion of risks and the associated response strategies are viewed as an integral part of decision making.

Effective risk management also incorporates the input of different perspectives to balance intrinsic human biases in the understanding of risk.

2.1.7. Training and Awareness:

The Board of Directors aims to ensure that:

- Emphasis is given on training on risk management to improve process controls.
- All staffs are aware of and understands the organization's approach to risk management.
- All staffs in the organization understand the basic concepts and benefits of risk management in their respective areas and applies the risk management principles in day to day operations.

For this purpose, Risk Owners in association with the Functional Champions will conduct training programmes on risk management for the employees so that each employee proactively contributes to the risk management process. Professional help shall also be taken if necessary.

The revised ERM framework is effective from 9th August, 2017.