



Talcher Fertilizers Limited

Enterprise Risk Management Policy





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INTRODUCTION

Talcher Fertilizers Limited (*hereafter referred to as "TFL" or the "Company"*), acknowledges that the Company needs to be well prepared to manage its risks effectively, given the evolving industry and regulatory dynamics, in the pursuit of creating and delivering value to its shareholders, employees and other stakeholders.

The Company has laid down an Enterprise Risk management policy (*hereafter referred to as the "Policy"*) that details therein guidelines for implementation of Enterprise Risk Management (*hereafter referred to as "ERM"*) framework across the Company.

This Policy has been developed to promote risk management within the Company, with an aim to achieve its strategic objectives, by recognizing the risks that may impact the Company, and minimizing the adverse consequences arising from their occurrence. The policy supports the Company's endeavor to design, implement, monitor, review, and continually improve its risk management practices.

This document provides an overview of the Company's Risk Governance structure and illustrates the roles and responsibilities of various stakeholders within it. It majorly encompasses the following elements:

- Policy Objectives
- Risk Governance Structure
- Enterprise Risk Management Roles and Responsibilities

The Risk Management Policy should be read in conjunction with the Enterprise Risk Management (ERM) Framework. The ERM Framework outlines the comprehensive process for risk management, providing a detailed roadmap for identifying potential risks and ensuring a prompt and effective response. For more specific guidance on risk management within the Company, refer to the detailed information available in the ERM Framework document.

1. Purpose

The Risk Management Policy serves as the guiding document that articulates the overarching principles, objectives, and organizational commitment to managing risks within the Company. It establishes the high-level framework for identifying, assessing, and responding to risks across various business functions. The primary purpose of this Policy is to provide a strategic and regulatory overview, guiding the organization in developing a risk-aware culture and fostering a systematic approach to risk management. It sets the tone for risk-related decision-making and communicates the company's commitment to maintaining a resilient and sustainable business environment.

2. Regulatory Framework

The Companies Act of 2013, along with the 2011 Department of Public Enterprises (DPE) Guidelines on Corporate Governance, as amended from time to time, has incorporated various provisions in relation to Risk Management.

As per Companies Act 2013:

As the company is established under the provisions of The Companies Act 2013, it is obligated to adhere to the stipulations outlined in the Companies Act. The following are the key requirements pertaining to risk management that apply to TFL,

- a) Report by its Board of Directors, which shall include a statement 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 134 (3) (n)]
- b) The Audit committee shall act in accordance with the terms of reference specified in writing by the Board of Directors, which shall, inter alia, include the evaluation of risk management systems. [Section 177 (4) (vi)].

As per DPE (Department of Public Enterprises) Guidelines 2011 on Corporate Governance:

- a) The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. (Regulation 7.3.1).
- b) As part of the Director's Report or as an addition thereto, a Management Discussion and Analysis Report (MDA) should form part of the Annual Report. The MDA report to include discussion on Risks and Concerns. (Regulation 7.5.1).
- c) Identify, mitigate, and manage business risks: It is everybody's responsibility to follow the Risk Management Framework of the Company to identify the business risks that surround the function or area of operation of the Company and to assist in the company-wide process of managing such risks, so that Company may achieve its wider business objectives. (Regulation 6.12)
- d) Considering the significance of risk management in the scheme of corporate management strategies, its oversight should be one of the main responsibilities of the Board/Management. (Regulation 3.6).

3. Scope

The outlined Policy is applicable to Talcher Fertilizers Limited and will be consistently enforced throughout all levels of the Company. This includes management, business units, key functions, operations, projects, employees, contractors, business partners, and any individuals directly or indirectly associated with the Company. Each employee of the Company is obligated to strictly adhere to the provisions outlined in this Policy.

4. Objectives

The Risk Management Policy provides a structured and disciplined approach to the ERM process within the organization to facilitate informed decision-making on risks, with specific objectives that are as follows;

- Promote an effective risk management system that supports the Company's growth strategy.
- Integrate risk management in the culture and strategic decision making across the Company.
- Establish structured processes for identifying, assessing, treating, monitoring, and reporting on risks.
- Establish a process to identify and assess risks which can impact business continuity of the Company and define response recovery plans for such risks.
- Establish and guide risk governance by providing clarity on the roles and responsibilities in relation to risk management.
- Facilitate compliance with all applicable regulatory requirements related to risk management and reporting
- Provide reasonable assurance to stakeholders that the Company has a systematic and proactive approach to risk management.

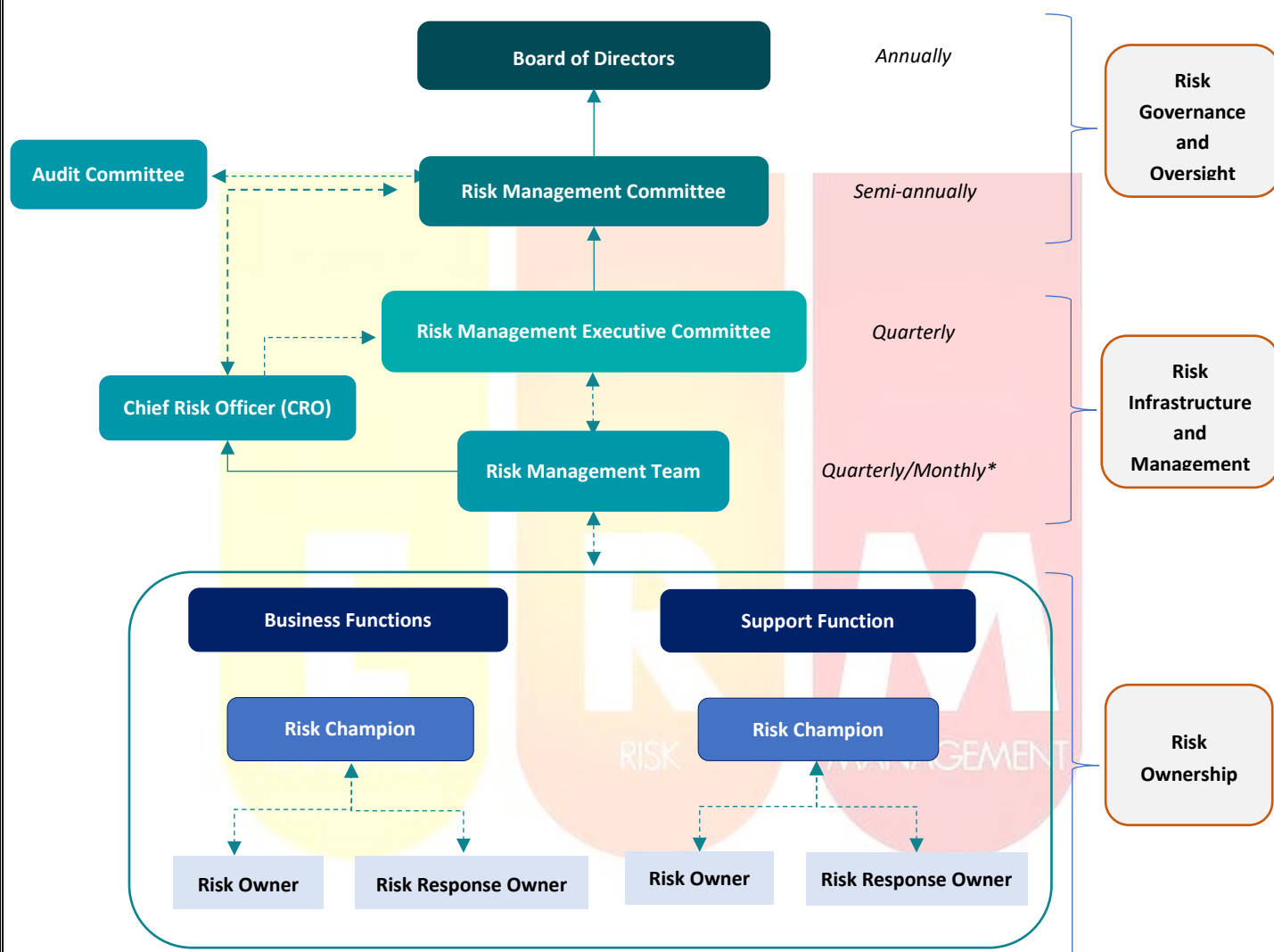
5. ERM Policy Statement

The Company is committed to establishing a robust mechanism for proactive risk management, which is based on the following underlying principles:

- The Company shall encourage and strengthen the accountabilities, ownership and responsibilities with respect to risk management across all levels and activities of the Company.
- The Company will align and integrate varying views on risk management and review and monitor a uniform risk management framework across the business units, key functions, operations, and projects of the Company.
- The Company strives to anticipate, monitor, and take preventive action to manage or treat risks that may impact its strategic objectives.
- The Company endeavors to create and foster risk awareness across the organization, through continuous education and training on risk management.
- All employees of the Company take responsibility for the effective management of risks in all aspects of the business.

6. ERM Governance Structure

The accountability for risk management is collectively distributed throughout the organization. The company has instituted three key pillars within its governance structure to delineate the realm of responsibilities, extending these activities to senior management and all employees of the Company.



**Until the Plant/project is commissioned, project-related risks shall be reviewed and reported on a monthly basis.*

Figure 1: ERM Governance Structure

→ Reporting
↔ Communication

7. Enterprise Risk Management Responsibilities

7.1 Risk Governance and Oversight

7.1.1 Board of Directors

The Board is committed to the objectives of Enterprise Risk Management and its engagement in the risk oversight function to strengthen the management of organizational risk exposures, in achieving the Company's strategic objectives. The Board plays a critical role in facilitating an enterprise-wide approach to risk management. It accomplishes this by setting the tone and culture towards effective risk management, formulating high level objectives, strategy setting, and approving broad-based resource allocation for this purpose.

The Board will meet annually to review the key residual risks, including strategic and emerging risks as per prioritization criteria, and status of associate response plans.

Roles and responsibilities of the Board with respect to ERM are broadly classified as follows:

- Approve the ERM Policy and Framework document.
- Evaluate the effectiveness of risk management systems on an annual basis.
- Review the risk exposure of the Company, including therein key residual risks (*including strategic and emerging risks as per prioritization criteria*) and associated response plans.
- Review and approve risk disclosures to external stakeholders in adherence to regulatory requirements.
- Responsible for developing the risk response plans, as required.
- Board of Directors may delegate the responsibility to Managing Director for the administration of ERM Policy.

7.1.2 Audit Committee

The Audit Committee shall collaborate closely with the Risk Management Committee (RMC) to fulfil the role as defined under Section 177 (4) (vi) to review and evaluate the effectiveness of the risk management system. The committee shall also actively foster open communication for proactive risk identification, ensuring seamless collaboration with the RMC.

7.1.3 Risk Management Committee

The Risk Management Committee (hereafter referred to as "**RMC**" or "**Committee**") shall be entrusted with the responsibility to assist the Board in framing policy, guiding implementation, monitoring and reviewing the effectiveness of ERM Policy and Framework. The RMC will act as a forum to discuss and manage key residual risks on a semi-annual basis.

Composition

The composition of the RMC shall be decided by the Board unless prescribed by the law in force.

Meetings

- The Committee shall meet at least twice in a year with a gap of not more than two hundred and ten days shall elapse between any two consecutive meetings
- All or any members may participate in a meeting by video conferencing or by other audio-visual means. A member so participating is deemed to be present in person at the meeting and shall be counted for the purpose of quorum at the meeting of the RMC

Roles and Responsibilities

The roles and responsibilities of the RMC are as defined below;

- Formulate a detailed risk management policy which shall include:
 - a) A framework for identification of internal and external risks specifically faced by the Company, 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 response including systems and processes for internal control of identified risks.
 - c) Business continuity plan.
- Review and approve the Enterprise Risk Management framework biennially or when alterations are necessitated by evolving regulatory requisites, or at the discretion of the Committee. The Committee shall review the risk management culture, processes, and practices of the Company.
- Oversee the implementation of the risk management policy, ensuring the establishment of suitable methodologies, processes, and systems to monitor and evaluate the risks associated with the Company's business. This includes:
 - a) Establishing a calendar for reviewing existing risks within each key function, with the aim of refreshing key risks at defined intervals.
 - b) Periodically reviewing the key risks across the enterprise.
 - c) Refreshing key risks at defined intervals to enable the Board to update the risk review calendar.
 - d) Proposing improvements to the Enterprise Risk Management (ERM) system, particularly those necessitated by changes in regulatory requirements.
- Review the implementation of effective risk assessment and response procedures, encompassing:
 - a) Formulating measures for risk response.
 - b) Supervising the creation and implementation of Business Continuity procedures and guidelines.
 - c) Monitoring and reviewing the exposures related to key risks at the enterprise level, while assessing management's preparedness to handle these risks and associated events.
 - d) Ensuring that the Company adopts appropriate measures to achieve a prudent balance between risk and reward in both ongoing and new business activities.;

- Keep the Board abreast of the discussions, recommendations, and proposed actions emerging from Risk Management Committee (RMC) deliberations. Facilitate the involvement of other stakeholders in the risk management process when necessary.
- Provide the Board with counsel on the efficacy of the risk management systems, conducting a thorough assessment at least annually.
- Assess the organization's risk management systems in coordination with Audit Committee.
- Conduct periodic reviews of the risk management policy, at a minimum every two years, and present recommendations for approval by the Board.
- Empower the Committee to establish an executive sub-committee, delegating authority and responsibilities to assist in managing Enterprise Risk Management (ERM) activities.
- Ensure coordination with other committees, aligning activities according to the framework established by the Board of Directors in cases of overlapping responsibilities.
- Undertake any additional activities as mandated by relevant laws.
- Fulfill other tasks as requested by the Board of Directors related to risk management.
- Nominate the Chairperson and Secretary of Risk Management Executive Committee (RMEC) for conducting meetings.

7.2 Risk Infrastructure and Management

The risk governance and oversight function comprise the Board and the Risk Management Committee, who play a pivotal role in framing the ERM Policy and guidelines. The next two levels of risk responsibilities, namely Risk Infrastructure and Risk Ownership, are shared by the key executives and working officials of the Company. The roles and responsibilities for teams constituting the risk infrastructure function, as per the risk governance structure, are elaborated below:

7.2.1 Risk Management Executive Committee

The Risk Management Executive Committee (RMEC) is a sub-committee assisting the RMC. The RMEC shall assist the Board and RMC in fulfilling its oversight responsibility for the risk management process and systems within the Company.

RMEC shall assist RMC in framing policy, guiding implementation, and monitoring & reviewing the effectiveness of the risk management process and framework.

This Sub-committee will comprise of Heads of all the Departments or as approved by the Risk Management Committee in its committee meeting.

Chairperson and Secretary for conducting meetings to be nominated by the Risk Management Committee.

Quorum

A quorum required for conducting business at any meeting of the RMEC shall be constituted by a majority of its members. All resolutions must be passed by a majority vote of the members present at the meeting. Each member is entitled to one vote on each matter brought before the RMEC.

Meetings

- The RMEC shall meet on a quarterly basis during the year.
- All or any members may participate in a meeting by video conferencing or by other audio-visual means. A member so participating is deemed to be present in person at the meeting and shall be counted for the purpose of quorum at the meeting of the RMEC.
- The Risk Management Team shall be responsible for compiling and circulating the agenda and papers for the meeting.
- The Risk Management Team shall prepare minutes of all the meetings of the RMEC and shall circulate the same to the participants of RMEC meetings within 5 working days of the meeting.

Roles and Responsibilities of the Risk Management Executive Committee:

- Reviewing the risk management plan at least once a year.
- Communicate and implement policies, procedures, and guidelines that embed risk assessment and response to risk considerations into planning processes, strategy development, and execution.
- Review risk management process and documentation and deliberate on the establishment, operations, and continuous improvement of the risk management structure,
- Review the adequacy of the Risk Response plans, progress, and effectiveness of Risk Response plans for high priority risks, and
- Set the limits and controls on risk appetite,
- Identify high priority risk(s) and report the progress to the Risk Management Committee periodically,
- Provide support and consultancy role, including facilitating and advising on the implementation of risk management and related matters across functions,
- Review frequency of risk management training and awareness sessions across the company and adequacy of attendees in those training sessions.
- Embed a risk culture where people at every level manage risk as an intrinsic part of their job.
- Provide a platform for structured, cross-functional review, assessment, and management of TFL's risk and controls at the enterprise and process level.
- Oversee the full range of risks and potential interactions among risks, including risk concentrations, escalating, and de-escalating risks, contingent risks, and inherent and residual risk.
- Monitor all risk management activities to align with the overall risk profile of the Company, and
- Carry out any other activities as may be required or deemed necessary in this regard.

7.2.2 Chief Risk Officer (CRO)

The Chief Risk Officer ("CRO") plays a pivotal role in the oversight and execution of the Company's risk management function. The CRO shall facilitate the execution of risk management practices in areas of

risk identification, impact assessment, monitoring, Risk Response, and reporting. The CRO's ultimate objective is to help the RMC and RMEC to determine the risk-reward trade-offs in the business and bring transparency into the risk profile of the business.

The Chief Risk Officer (CRO) will be an officer not below the rank of Head of Department, and their appointment should be delegated to the Managing Director (MD). Further, CRO shall be reporting to the Managing Director. Adequate risk management training and exposure will be imparted to the CRO and his/her team to strengthen risk management practices.

Roles and Responsibilities of the Chief Risk Officer:

- Assisting the Committee in fulfilling the risk management responsibilities by facilitating the governance of risk management process throughout the Company,
- Facilitate in building robust risk management practices suitable for the Company's needs, including setting up of approach, standards, and guidance, supporting management to identify trends and emerging risks, helping craft risk appetite & capacity, assisting management in developing risk response/Risk Response plans to manage risks and issues, etc.,
- Monitor the high priority risk(s) on an ongoing basis and monitor the adequacy and effectiveness of their risk responses, accuracy, and completeness of reporting and timely remediation of deficiencies and assist in establishing effective monitoring system by all stakeholders,
- Promote risk management and assist in integrating practices into their business plans and reporting,
- Monitor all risk management activities to align with the overall risk profile for the Company,
- Advice and assist the management in identifying and assessing risks for new business initiatives and evaluating strategic alternatives,
- Oversee and present committee reportable risks as identified by RMEC to RMC and the Board (if applicable),
- Update RMEC on key initiatives taken around risk management,
- Convene the RMEC meetings and track the action items,
- Evolve and enable education, training, and capacity building at least semi-annually within the company to facilitate risk management,
- Assist the business and support functions to identify, assess, evaluate, control, monitor and report risks regularly.
- Assists management to integrate risk management with the strategic planning and development process.
- Facilitates the Board and management to identify the key risks at strategic and business / operational levels and monitor those key risks.
- Provides an independent view from the risk perspective on business planning and investment decisions.

- Works with the Finance Department Members to ensure alignment between the risk management process and internal audit.
- Carry out any other activities as may be delegated by the Committee.

7.2.3 Risk Management Team

The Risk Management Team shall assist the CRO in implementation of the ERM program across the Company. The Risk Management Team will coordinate with each of the Risk Champions of respective business units/key functions/projects, on a quarterly basis (*excluding the project related risks which are to be updated on a monthly basis*) and develop/update the consolidated risk register for the Company. The Risk Management Team shall consist of Risk Champion of different departments as nominated by CRO.

Roles and responsibilities of the Risk Management Team are:

- Support the CRO for administrative and operational activities in ERM process and associated reporting requirements.
- Drive ERM framework and concepts throughout the Company.
- Facilitate the execution of risk management practices including risk identification, impact assessment, risk response planning, monitoring and reporting across the Company, through collecting and reviewing risk specific data and consolidating risk registers.
- Engage with the Risk Champions of business units/key functions/projects in the reporting of enterprise risk management activities. The Risk Management Team shall coordinate with Risk Champions of respective business units/key functions/projects, consolidate the enterprise risk register and key residual risks from each business unit/key function/project for reporting to the RMEC through CRO.
- Update and consolidate Enterprise risk register, and thereafter present progress on the risk assessments and respective response plans to the Chief Risk Officer quarterly.
- Compile and circulate the agenda of RMEC meetings, in conjunction with the Chief Risk Officer.
- Minute the RMEC meetings and circulate the minutes of meeting within 5 working days of the meeting to all participants of the RMEC.
- Carry out any other activities as may be delegated by the RMC or the Chief Risk Officer.

7.3 Risk Ownership

7.3.1 Risk Owners

The ultimate ownership of enterprise risks and responses rests with the Risk Owners. The Risk Owner may further delegate response plans and action items down the hierarchy to ensure the ground-level implementation of response plans or in case where the response plans pertain to other departments, the Risk Response Owners may be nominated by HOD of other department to monitor existing controls and developed risk response plans and report its status quarterly. The Risk Owner shall be the Head of Department or as nominated by Risk Management Executive Committee (RMEC).

The roles and responsibilities of the Risk Owners include:

- Responsible for identifying risks within their function or operation.
- Perform ongoing assessment of the risk and manage existing risks.
- Report emerging risk(s) or failures of existing response measures with remedial action/ response plans.
- Develop the response plans with cross-functional inputs.
- Identify key residual risks for their respective function or operation and report their progress to the Risk Management Team in quarterly review meetings through the Risk Champions.
- Monitor the Key Risk Indicators (KRIs) to sense occurrence of risk
- Every employee plays a vital role in identifying and reporting risks, contributing to the development of an effective response strategy.

7.3.2 Risk Champion

Risk Champions are functional representatives and the mid-managerial staff who shall be assigned the responsibility of risk management-related activities. They are appointed by the members of the Risk Management Team or Risk Owners.

Risk Champions are deemed accountable and responsible for the management of risks within their concerned functions. They coordinate with the Risk Owners on the risk management-related activities for their respective functions. They are also responsible for consolidating the risk registers for their respective function(s). They participate in cross-functional meetings and present the status of the risks for their respective function(s) to the Risk Management Team on a quarterly basis (*Excluding the project related risks which are to be reported/updated on a monthly basis*).

7.3.3 Risk Response Owner

The risk response owner, as nominated by Risk Owners, shall be responsible for implementation and monitoring of existing and future response plans quarterly (*Excluding the project related risks which are to be reported/updated on a monthly basis*), and for documenting updates in the risk register. The Risk Response Owner should be someone with knowledge of the risk area and of enough seniority to ensure response plans are implemented.

In case of cross-functional risks, where impacted business unit/functions and response business unit/functions are different and separate or response plans are to be executed by multiple divisions, cross-functional teams may be formed to formulate the risk response plans.

8. ERM Process and Framework Overview

To effectively manage uncertainty, respond to risks and exploit opportunities as they arise, the Company shall implement an ERM Framework, that lays down the risk management process, in the following steps-

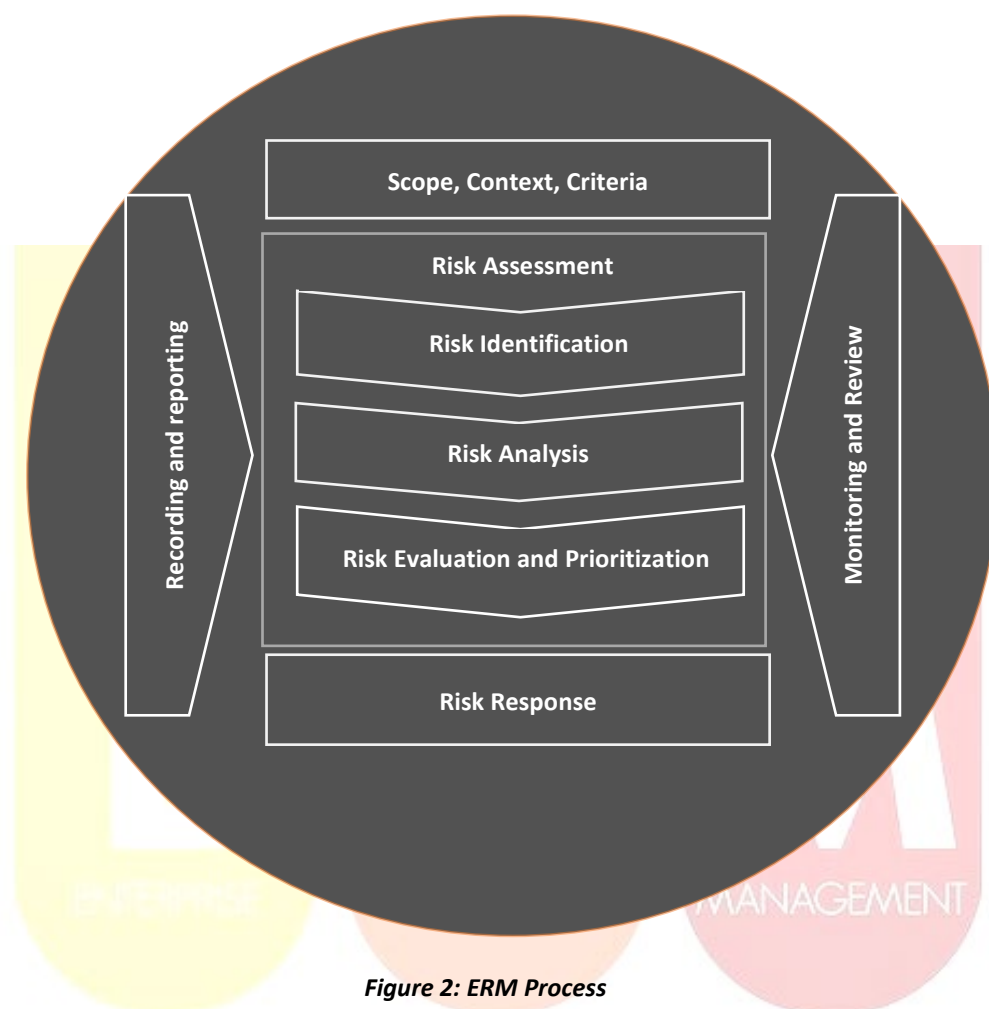


Figure 2: ERM Process

- **Scope, Context and Criteria:** To manage risk management process effectively for the Company, it is important to define the scope of the process and understanding the internal and external context
- **Risk Assessment:** As a part of the comprehensive risk management, the Company needs to identify and assess risks that may affect its ability to achieve its strategy and business objectives. Risk Assessment is overall process that includes *risk identification, risk analysis and risk evaluation*.
 - a) **Risk Identification:** The aim of this step is to generate a comprehensive list of risks based on events that may help (*in the case of opportunities*) or impact the achievement of business objectives. Risk identification may be undertaken through workshops, discussions among other activities.
 - b) **Risk Analysis:** Risk Analysis will involve identification of sources of risk, areas of impact events (*including emerging trends*) and their causes and their potential consequences, on the achievement of business objectives. The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, contributing factors, impact, likelihood, velocity, controls and their effectiveness

c) **Risk Evaluation and Prioritization:** Risk evaluation involves comparing the results of the risk analysis (*impact, likelihood, velocity*) with the established risk criteria to determine where additional action is required and considering existing effectiveness of existing controls. This would enable prioritization of risks, basis criticality, and help decide on the appropriate risk management strategy. Prioritization involves ranking the risks based on associated residual risk rating, to identify key residual risks.

- **Risk Response:** Risk Response refers to plans developed towards reducing the probability of occurrence or the impact of risk event. Once the company has developed an understanding of its risk profile, it needs to determine if response plans are required, especially in case of key residual risks.
- **Monitoring and Review:** Monitoring and Review involves defining definite review forums and frequency for monitoring the status of risks to track them periodically. An important aspect of risk monitoring involves identifying and monitoring indicators or signals to sense occurrence of risk, known as "Key Risk Indicators" (*KRIs*). Frequency of reviews is defined to ensure that key residual risks at the Company level are reviewed, together with review of progress of response plans.
- **Recording and Reporting:** The risk management process and its outcomes should be documented and reported through appropriate mechanisms. Reporting ensures that relevant risk information is available across all levels of the Company in a timely manner to provide the necessary basis for risk-informed decision-making. Annual updates are provided to the Board on status of key residual risks and associated response plans.

9. Communication

This Policy shall be communicated to all business units, key functions, operations, projects, and stakeholders involved in the risk management process of the Company.

10. Review

This Policy shall be reviewed at least every two years to ensure that it is aligned with the changes in business environment and regulatory requirements related to risk management and reporting. Any changes to the policy shall be approved by the Board of Directors.

11. Disclaimer

In any circumstances, where the terms of this Policy differ from any existing or newly enacted law, rule, regulation, or standard governing the Company, the newly enacted law, rule, regulation, or standard shall take precedence over this Policy until such time the Policy is changed to conform to the law, rule, regulation or standard.