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1 PREAMBLE

This policy on Risk Assessment and Management has been formulated in pursuance of Section 134(3)(n) of the Companies Act, 2013, Regulation 17(9) and Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and approved by the Board of Directors.

1.1 *Purpose*

Risk Management is achieved by implementing a suitable set of controls both in policy and practice. These controls may include policies, standards, guidelines, procedures, technologies and/or processes to define and explain instructions to users or other affected parties. This Risk Management Policy sets forth the guidance for the Company to maintain and ensure ongoing compliance with corporate risk management practices and risk tolerance levels as established by the management.

1.2 *Scope/Applicability*

This policy applies to all the employees and associates of the Company. This includes all users, information systems and paper files at the Company and approved third-party facilities.

2 DEFINITIONS

a. “Board” means Board of Directors of the Company

b. “Company” means Zuari Agro Chemicals Limited

c. “Directors” mean Directors of the Company.

d. “Risk Management Committee” means Committee of the Company constituted by the Board of Directors consisting of majority of Directors and Senior Executives of the Company from time to time.

e. “Senior Executives” means personnel of the company who are members of its core management team excluding Board of Directors, comprising all members of management one level below the Executive Directors, including the functional heads.

f. “Risk” is the chance of something happening that will have an impact on achievement of the company’s objectives. Risk is measured in terms of assessments of likelihood of an impact arising from an event.

g. “Risk Management” is the culture, processes and structures which are directed towards realizing potential opportunities whilst managing adverse effects.

h. “Risk Management Process” is the systematic application of risk management policies, procedures and practices.

i. “Inherent Risk” is Risk before mitigation strategies and controls are put in place.

j. “Residual Risk” is Risk that remains after mitigation strategies and controls are put in place.

k. “Key Risk” is the risk which is significant for the company w.r.t operations/ efficiency/ profits/ legal compliances and remains key risks at inherent and residual level.

l. “Non-Key Risk” is the risk which is key risk at inherent level but non-key at residual level.

m. “Operational risk” are manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company

n. “Financial risk” relates to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company.

o. “Sectoral risk” refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

p. “Sustainability risk” (including ESG risks) refers to the uncertainty in being able to sustain the growth of a company because certain practices may have negative externalities which result in the dilapidation of value chain of the system over a period of time or impact other related systems.

3 RISK MANAGEMENT COMMITTEE

The Board of Directors shall constitute a Risk Management Committee in accordance with the requirements of Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

4 TERMS OF REFERENCE RISK MANAGEMENT COMMITTEE

The terms of reference of the Committee shall, inter-alia, include the following:

- The Committee shall meet at such intervals, as per the applicable provisions of the Companies Act, 2013 and applicable SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, amended from time to time.
- The quorum for the meetings of the Committee shall be as per the applicable provisions of the Companies Act, 2013 and applicable SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, amended from time to time.
- To formulate a detailed risk management policy which shall include, framework for identification of internal and external risk in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risks, measures of risk mitigation including systems and processes for internal controls of identified risks and business continuity plan
- The Chairman of the Committee and its meetings shall always be a member of the Board of Directors
- The Committee shall ensure methodology, process and system is in place to monitor and evaluate risks. The Committee shall review risk matrix and regulatory risk factors
- The Committee shall review Foreign exchange Hedging policy and Risk Management Policy on an annual basis
- The Committee shall exercise such powers and duties as may be delegated by the Board of Directors
- The Company Secretary shall act as the secretary to the Committee

5 POLICY STATEMENT

Risk assessment is the process of identifying risks, assessing and understanding those risks, and prioritizing risks. A formal risk assessment will be performed each year to identify threats / risks to the Company; to determine the risk of these threats occurring; and to recommend appropriate safeguards and countermeasures to reduce both the likelihood of threat occurrence and the effects produced if the threats are realized.

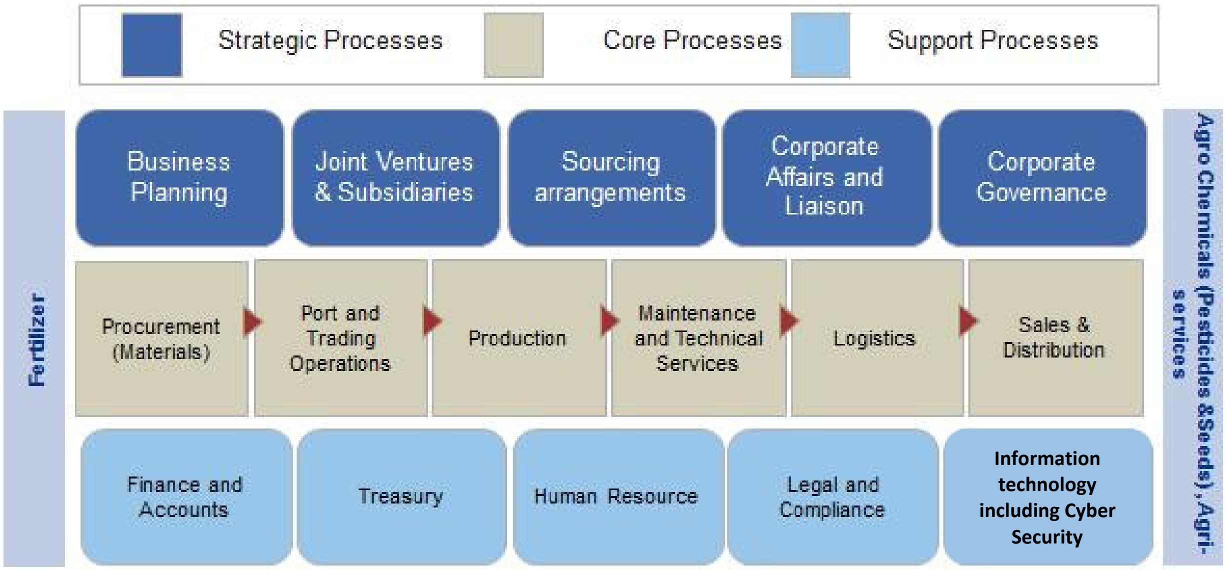
Company's goals for risk management are that risks are identified; risks are documented, understood and managed within tolerances established by management. Risk-acceptance decisions should be consistent with strategic business objectives, and should be explicit and communicated such that the expected return compensates for the risk involved.

In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated, concerned risk owner may ask for a "Management Risk Acceptance Memorandum". Such a memorandum will document the requestor's business justification, for the increased risk and exposure it presents to the Company.

6 COVERAGE AND RISK MANAGEMENT PROCESS

6.1 *Coverage*

Coverage of Risk Assessment shall include the following:



6.2 *Risk Management Process*

Approach for Risk Assessment involves the following steps:

a. Define Risk measurement scale for the Company.

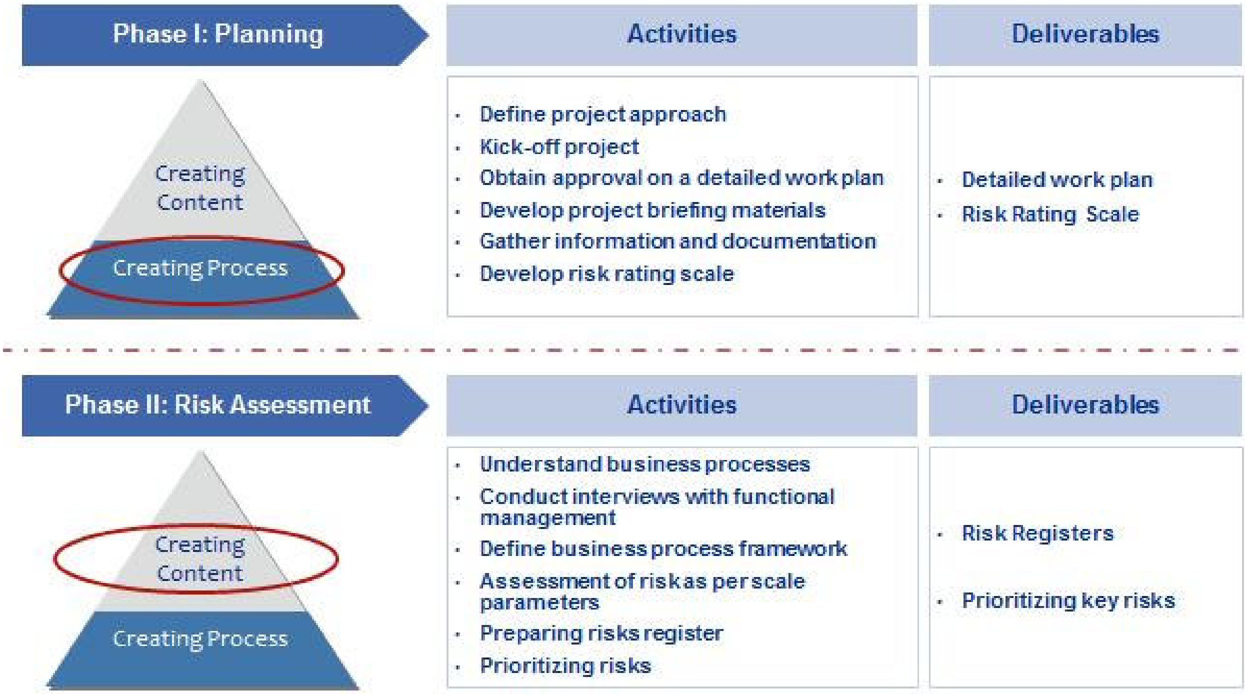
b. Identification and assessment of operational risks with the individual Operating Managers and Functional Heads.

c. Risk measurement as per measurement scale discussed and approved by senior management. The rating scale comprising financial, operational and regulatory criteria was used to identify –
   i. Risks which are key at Inherent level and Residual level,
   ii. Risks which are key at Inherent level and non-key at Residual level.

d. Risk prioritization: Prioritized risks to be reviewed by the Risk Management Committee and Audit Committee of the Board. Risk mitigation strategies to be documented and monitored periodically by management.

e. Risk monitoring: Management process established for bi-annual evaluation of key risks in light of internal and external business changes. In order to facilitate this, management needs to –
   i. Establish key risk indicators and metrics for key and non-key risks in order to ensure risk levels are within established thresholds, Identify critical data points and data sources, Collate data over specific period of time, and Analyse data to develop thresholds
   ii. Assess the adequacy and operating effectiveness of mitigating controls.
   iii. Review of updates to risk register by respective functions as a result of bi-annual in-house review to identify and evaluate new risks, if any.
   iv. Periodical review of updates to risk register and risk monitoring system by outside agency

f. The outcome of these risk reviews to be periodically reviewed by Risk Management Committee and reported to the Audit Committee and Board of Directors.



Detailed process for Risk Assessment is as under:

a) Establish the Context

The key step here is to chart out objectives of risk management process. It involves understanding the nature of risk and its associated factors (external/ internal)

External risks involve risks which are beyond the control of the organization. An indicative list is as follows:

- Slowdown in economic growth of the Country
- Fluctuations in the foreign currency exchange rate risk
- Threat to business continuity in the eventuality of disasters like riots, war with enemies, uncertainties of nature like floods, earthquakes, drought etc Unfavourable changes in government policies or lack of political support

Internal risks involve inability to perform despite favourable conditions prevailing in the market. An indicative list is as follows:

- Key Man risk, i.e. sudden/ unplanned/ long / permanent absence of the key managerial personnel
- Noncompliance / violation of various laws applicable to the Company
- Use of obsolete technology
- Inability to anticipate and meet customer requirements Financial risk

b) Risk Identification

Risk identification sets out to identify an organization's exposure to uncertainty. Risks are being identified keeping in mind the market in which the company operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of company's strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

The process owners of each business process identify the different type of risks that effects/ may affect their business process. The risks identified are categorized as:

-
- Business Interruption Risk
- Legal Non Compliance Risk
- Operational Risk
- Sectoral Risk
- Sustainability Risk (including Environment, Social & Governance risks)
- Information Risk
- Cyber security Risk
- Investment Risk
- Efficiency Risk
- Profit Risk
- Asset Health Risk Subsidy Risk

c) Risk Analysis

The risks that are being identified are displayed in a structured format in the Risk Registers. The Risk Registers facilitate the description and assessment of risks. The maintenance of Risk Registers is the responsibility of the Internal Audit Department. The same are updated/ reviewed basis the inputs received from the divisional heads.

Organization has drafted the Risk Framework and Risk Registers. Each risk identified is further classified as Key Risk or Non - Key Risk based on the ratings as per following risk measurement scale (will need to be modified annually and to be pre-approved by Risk Management Committee).

All the risks are reviewed by the members of Risk Management Committee and ratings are decided based on the consensus of the members. In case of any conflict, final rating is decided by the majority votes.

Risk Rating Criterion					
Impact	**1**	**2**	**3**	**4**	**5**
	Insignificant	**Minor**	**Moderate**	**Major**	**Severe**
Strategic - Fertilizers					
Impact on Profits	<1%	>1%	>3.5%	>7%	>10%
Impact on Sales / Turnover (MT)					
- Indigenous Fertilizers	<1%	1-3%	3.5-7%	7-10%	>10%
- Traded Fertilizers	<1%	1-5%	5-10%	10-15%	>15%
Business Interruption					

Stream days lost (excluding Annual Shut Down)	-	<7 days	7 - 15 days	>15 days	>15 days
Number of Business Interruptions	-	-	1	>2	>2
Environment, Health & Safety					
Environment	-	-	-	-	Any instance of environmental damage
Health & Safety		Single injury	Multiple injuries	Single fatality	Multiple fatalities
Other Strategic					
Reputation	Localised complaints	Repetitive public complaints	Localised negative media coverage	1. Nationalised negative media coverage, 2. Disruption of customer / investor confidence	1. Nationalised negative media coverage, 2. Disruption of customer / investor confidence
Ability to attract, train and retain talent; Attrition % at the following levels- Senior Management (SM) Middle Management (MM) Lower Management (LM)	LM: 1-3%	LM: 3-5%	SM: 1-2% MM: 2-3% LM: 5-7%	SM: 2-3% MM: 3-4% LM: 7-9%	SM: >3% MM: >4% LM: >9%
Compliance					
Prosecution for FCO, Weights and Measures Act & Packaged Goods Act	NA	NA	Single compounding per statute	Double compounding per statute	Any prosecution
Prosecution under any other Act	NA	NA	NA	NA	Any prosecution of key personnel
Fine / Penalty / Penal interest (excluding Income tax)					

Probability	1	2	3	4	5
	Unlikely	**Rare**	**Moderate**	**Likely**	**Almost Certain**
Occurrence in future	Theoretically possible, but not expected to occur	Unlikely to occur at anytime in the foreseeable future	Likely to happen in the next 3-5 years	Highly likely to happen in the next 2-3 years	Certain to happen in the next 12 months
Occurrence in the past	Similar instances have never occurred in the past	Though not routinely, but there have been similar instances in the last 2-5 years	There have been 1 or 2 similar instances in the past 1 year	Similar instances have occurred several times in the past 1 year	Similar instances have occurred every month in the past

d) Risk Evaluation

When the risk analysis process has been completed, it is necessary to compare the estimated risks against risk criteria which the organization has established. The risk criteria may include associated costs and benefits, legal requirements, socio-economic and environmental factors, concerns of stakeholders, etc. Risk evaluation is used to make decisions about the significance of risks to the organization.

A concerned person has been assigned against each risk, who will be responsible for monitoring and mitigating it.

Way forward are the control measures which management would be taking to mitigate the risks.

e) Risk Treatment

Risk treatment is a process of selecting and implementing measures to modify the risk. Risk treatment may include any of the below mentioned measures:

i. **Accept**: The committee members may decide to the go forward with the existing risk as it is. No mitigation plan may be drafted against such risk as either these risks are governed by the external factors which are not directly under organization's control or the cost of implementing the mitigation plan is higher then the implication of the risk.

ii. **Transfer**: The risk may be transferred to a third party, wherever needed by taking the insurance cover.

iii. **Reduce**: The members may agree to draft a mitigation plan against each risk so as to reduce the impact of the same on the organization.

f) Risk Reporting and Communication

Group Head of Internal Audit organizes the workshop consisting of all Divisional Heads and

Department Heads for analysing the risk registers and concludes on the risk ratings.

Basis the inputs received in workshop, the key risks are discussed in Risk Management Committee.

Subsequent to the discussion in Risk Management Committee, the key risks are presented in the Audit Committee and Board (if needed).

6.3 *Business Continuity Plan*

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god.
Business continuity planning involves:

a) Business Impact Analysis
Company should include all business, functions, departments in this process and is not restricted data processing.

All process/functional heads shall estimate the maximum allowable downtime for critical business process, recovery point objectives and the cost associated with it. Management should establish recovery priorities for business processes that identify essential personnel, technologies, facilities, communications systems, vital records, and data.

b) Risk Assessment
Along with the process as stated in 6.2 Risk Management process, each functional head shall develop a realistic threat scenarios that may impact the smooth functioning of the business, strategies devised are fool proof & expectation of the shareholders are met

Some of the threats identified:

- Fire Mishap
- Wind Cyclone
- Natural calamities
- Interruption to Power Supply
- Interruption to Water Supply
- Technical disasters
- Terrorism

Functional heads should provide a rating to each identified treat based on occurrence ranging high, medium, and low.
On yearly basis management will perform a gap analysis to identify additional risk exposure.

c) Risk Management
Along with the process as stated in 6.2 Risk Management process, each process/functional heads shall have a management plan which should include procedures to maintain, resume, and recover critical business functions, plans prioritised for execution of critical & non critical activities

An indicative list of management actions that are put in place are as follows:

- The factory is protected by a well laid underground Fire hydrant system
- Installation of Detectors for early detection of any leakages/fire/gas etc.

- Earthing and bonding provided for preventing the build-up of static charges for all the vessels handling flammable chemicals
- Installation of early streamer emission lightning conductors
- Safe shutdown and high vents are provided in all plants
- Conducting periodic Risk Based Inspection, Statutory Inspection, Annual Turn Around, Remnant life Assessment study, periodic replacement of aged & obsolete equipment's, up gradation of Instrument & Electrical systems
- Plant design and equipment layout configured to handle natural calamities
- Staff are adequately trained in handling of emergency/rescue operation/first aid treatment, action plans due to any contingency are communicated to the staff. Periodic mock drills are conducted to test emergency response.
- Availability of alternative sources for any interruption of power, water and transport facilities.
- Standard operating procedures' are formulated to handle situations in emergency
- Risk insurance coverage taken for the plant and machinery and other assets including coverage for loss of profits in case of fire and machinery break down due to covered perils

d) Risk Monitoring

Functional head should evaluate the risks and merits of various types of testing and develop strategies based on identified resumption and recovery needs. Periodic mock drills to be conducted to test emergency response and recovery procedures and provide a testing report to management based on frequency evaluated.

Business continuity plan monitoring will be included in the scope of internal audit.

Management shall ensure recovery testing is conducted at least annually, or more frequently, depending on the operating environment and criticality of the applications and business functions and will update standard operating procedures based on reports provided as and when needed.

7 AMENDMENTS AND GOVERNING LAW

The Board of Directors, on its own and / or as per the recommendations of the Risk Management Committee can amend this Policy as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, which make the provisions laid down under this Policy inconsistent with such amendment(s), clarification(s), circular(s) etc. then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as Listing Regulations or such other Rules / Regulations, as may be notified by SEBI from time to time.