PRISM JOHNSON LIMITED

Risk Management Policy

October 2021

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This is in compliance with Section 134 (3) (n) of the Companies Act, 2013 and Regulation 17 (9) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires the Company to develop and implement a Risk Management Policy and to lay down risk assessment and minimization procedures.

1. Overview

Prism Johnson Limited (PJL) is an integrated building material company in India. The Company works across a wide range of products i.e., Cement Ready-mixed concrete, Tiles and Bath products. PJL has three divisions and each of them have their own unique business and operating models. These divisions operate in an evolving and challenging business environment.

A Risk Management policy provides an assurance to the Board of Directors that the Company's risks are Know and well managed, allowing the Executive Management to focus on Company's growth, strategy and value creation. PJL recognises that risks are inherent and critical to any business activity to achieve the goal of value creation for all its stakeholders and that managing risks effectively is key to the success of the Company.

The enclosed Risk Management policy details objectives and principles of risk management along with an overview of the risk management process, procedures and related roles and responsibilities.

2. Purpose

The purpose of this Policy is to:

- Establish common risk management framework across the Company;
- To strengthen and continually evolve an effective ERM framework across PJL to achieve sustainable growth;
- Understand and better manage the uncertainties which may impact our performance;
- Contribute to safeguarding Company value and interest of shareholders;
- Improve compliance with good corporate governance guidelines and practices as well as laws & regulations; and
- Set forth procedures to analyse risks within agreed parameters.

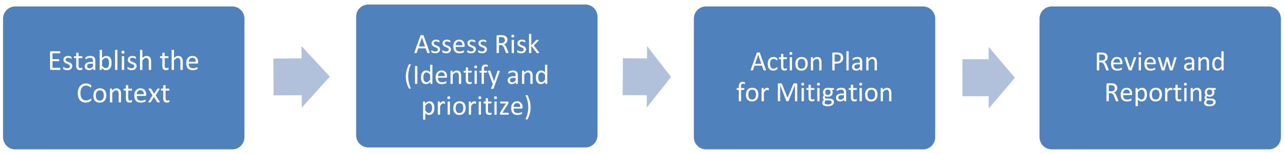
3. Risk Management Framework

The risk management framework outlines the series of activities and their enablers that each division should deploy to, assess, mitigate and monitor risks.

The risk management framework at PJL comprises essentially of two elements:

- **Risk management process** that helps identify, prioritize and manage risks.
- **Risk management structure** i.e. the roles and responsibilities for implementing risk management exercise / project.

<u>Below is a diagrammatic representation of the Risk management framework:</u>



3.1 Risk Management Process

Whether risks are external/ internal to the Company, or can / cannot be directly influenced/ managed, they all are addressed by a common set of processes through the risk management process.

This process is scheduled to be performed:

- Risks are analysed and visited on a quarterly basis; mitigation plans are reviewed, status updates are briefed and thoroughly discussed with the Risk Management Committee of the Board; or

- When the business seeks to undertake a non-routine transaction (such as an acquisition, entering into a new line of business etc.)

<u>The following stages are involved in the Risk Management process:</u>

a. ***Establish the context*** *is f*ocused on laying down objectives that the company seeks to achieve and safeguard. Risks are identified and prioritized in the context of these objectives.

b. ***Assess (identify and prioritize) risks,*** which comprises of:

- *Risk identification* – involves identification of relevant risks that can adversely affect the achievement of the objectives.
- *Risk prioritization* – involves assessing the relative priority of each risk to arrive at the key risks by determining the likelihood and / or impact of a risk.

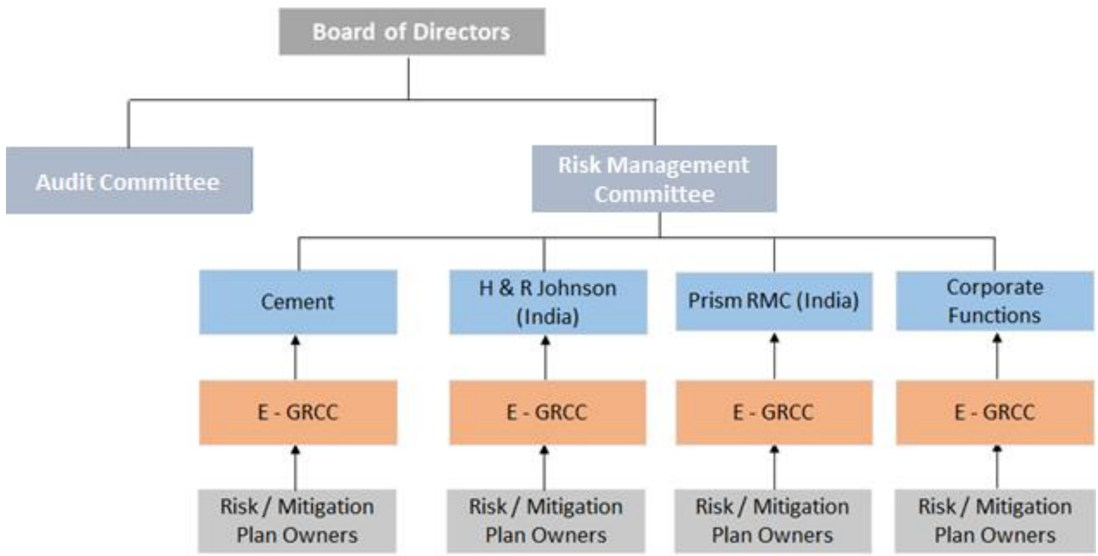
c. ***Mitigate risks:*** Involves design and implementation of activities that reduces the risk all together or help managing risks to an acceptable level. It is a process to prepare for and lessen the effects of the various risks.

d. ***Monitor and Report:*** A formal process to update the Board of Directors, the Audit Committee, the Risk Management Committee and the Executive Governance, Risk & Compliance Committee ('E-GRCC') on the risk profile and effectiveness of implementation of mitigation plans.

3.2 Risk Management Structure - Roles & Responsibilities

The Risk Management Organization at PJL shall comprise of the following:

Risk Management structure -



Risk Management Committee (RMC) – Managing Director, an Independent Director, all three Chief Risk Officers (Executive Directors), Chief Financial Officer and Company Secretary.

E- GRCC (Division) – *Chief Risk Officer (Executive Director / CEO of respective division), Unit Finance head, and others as maybe decided by CRO.*

E- GRCC (Corporate) – *Chief Risk Officer (CFO), CHRO, Company Secretary, Legal Head and other members as maybe decided by CRO.*

4. Types of Risks

The identification and effective management of risks is critical and important for achieving the strategic and business objectives. The Company's activities give rise to a broad range of risks; these are classified under the following categories of risks:

External Risks

These are the risks beyond the control of the organization. These are the risks faced due to external environment in which the business operates. For instance; Covid-19, overall global / national economic environment, changes in regulations / laws etc.

Strategic Risks

These are associated with the long term purpose, objectives and direction of the business. These risks may arise from the actions of competition and/or opportunities shortlisted and decisions executed by the business.

Compliance Risks

These are risks associated with non-conformance or inability to comply with the applicable rules and regulations.

Operational Risks

These are associated with the ongoing, day-to-day operations of the business. These risks are concerned with the business processes employed to meet the set objectives.

Financial Risks

These are specifically related to the processes, techniques and instruments utilised to manage the finances of the organisation, as well as those processes involved in sustaining effective financial relationships with customers and third parties.

Information Technology Risks

This comprises of risks related to Information Technology systems; data integrity and physical assets. PJL deploys Information Technology systems, including ERP to support its business processes, communications, sales, logistics, and production. Risks could primarily arise from the unavailability of systems and/or loss or manipulation of information.

Cyber Security Risks

As IT systems are increasingly interconnected and with implementation of various digitalisation initiatives, cyber security has become a key concern for Governments and businesses.

5. Risk Oversight

The Company has laid down well defined procedures for its various activities. The operations and transactions are carried out in accordance with applicable rules and regulations, Company Policies, Standard Operating Procedures and Delegation of Authority guidelines.

The Company's Risk Management Framework is supported by Senior Management team at each division under the supervision and guidance of Risk Management Committee of the Board.

A. Board of Directors:

The Board of Directors has the responsibility for:

- Development and implementation of a Risk Management Policy for the Company, including therein, identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;

- Ensuring that the Company has a process for Risk Management
- Framing, implementing and monitoring the risk management plan;
- To define the role and responsibility of the Risk Management Committee;
- The Company has put in place a suitable framework for managing risks; and
- This framework has been effectively deployed by the Executive Management.

The Board of Directors has delegated the task of monitoring and reviewing of the Risk Management plan, specifically covering cyber security, overseeing the deployment of the Risk Management framework and such other functions to the Audit Committee and RMC. A presentation on Risks that matter shall be submitted annually to the Board of Directors and quarterly to the Audit Committee and RMC.

B. Audit Committee

The Audit Committee is responsible for overall direction setting and reviewing the implementation of the Risk Management Framework. Key responsibilities of the Audit Committee are:

- Evaluation of Internal Financial Controls and Risk Management systems;
- Provide direction and evaluate the operation of the Risk management program; and
- Review risk assessments prepared by the Risk Management Committee (RMC)

C. Risk Management Committee (RMC):

Risk management Committee (RMC) is responsible:

- To formulate a detailed Risk Management policy which shall include:
    - A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectorial, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
    - Measures for risk mitigation including systems and processes for internal control of identified risks.
    - Business continuity plan.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of risk management systems;
- To periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

- To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
    - Review and approve Risk Governance framework.
    - Process of identifying & evaluating various Risks and Risk Ratings.
    - Process of designing mitigation strategies and plan.
    - Reviewing progress of various mitigation plans and their effectiveness.
    - Presentation of Risks and mitigation plans to Audit Committee and Board.

D. Management Assurance

As an additional means of reassurance, the Audit Committee may direct the Management Assurance team to provide an independent report on the efficacy with respect to certain risks either by the internal audit team or by hiring external parties / subject matter experts.

Key responsibilities of the Management Assurance team are as follows:

- Provide Independent assurance on the efficacy of Risk Management in terms of:
    - Review of the process for identifying / prioritizing various risks.
    - Extent of implementation of mitigation strategies and their efficacy; and
    - Review the accuracy of self-assessments on risk mitigation; and
- Review of Internal Financial Controls
- Report on such matters as may be specifically directed by the Audit Committee.

6. Business Continuity

The Company has a detailed document on Business Continuity. This is in line with the business requirements of the three business divisions ensuring preparedness for any unforeseen breakdown and / or contingencies which may impact the regular working of any business division/s.

7. Sustainability

There is a detailed document on Sustainability. Since inception, we have been exploring avenues for social development and promoting sustainability amongst our local communities and in all our business activities. At PJL, we embrace sustainability as a business approach to create a sustained value by taking into consideration how economic, social and environmental dimensions impact our businesses. This approach helps us to enhance our processes, pursue sustainable growth and add value to our Company and stakeholders, going beyond profit maximization.

8. Key Definitions

Risk: is any event/non-event, the occurrence/non-occurrence of which can adversely affect the objectives/existence of the company. These threats may be internal/ external to the Company, may/may not be directly influenced by the Company and may arise out of routine/non-routine actions of the Company.

Risk Management: is a structured, consistent and continuous process for identifying, assessing, deciding on responses to various risk and reporting on the opportunities and threats that may affect the achievement of our objectives.

Risk Library*:* A compilation of risks identified during the annual risk identification exercise. The risk library may be amended to include emerging risks periodically, as may be decided by Risk Management Committee (RMC) from time to time.

Mitigation Plans: Measures (existing and proposed) to mitigate / monitor / transfer the Risks That Matter.

Risk Owner: A person entrusted by E-GRCC / CRO to monitor / manage a particular risk. For example- Functional head, Head of department etc.

9. Review of Policy

This policy will be subject to review once in 2 years or earlier, as applicable, subject to any changes in business landscape.

End of Document

STATEMENT OF CONFIDENTIALITY
The procedures prescribed above and all information and particulars relating thereto are strictly confidential and / or legally privileged information. One will not at any time during the tenure of employment or afterwards, disclose to or share with any person the procedures or any information as to the business, dealings, practice, accounts, finances, trading, software, know-how, etc. of the procedures or otherwise connected with the procedures. Any breach and/or non-compliance of this clause would lead to serious disciplinary action and the Company reserves the right to initiate any disciplinary proceedings or action as it may deem fit at its sole discretion. Any such action by the Company will be binding on all concerned.