NATIONAL PEROXIDE LTD

RISK ASSESSMENT AND MANAGEMENT POLICY

(Amended on 11th August 2021)

RISK ASSESSMENT AND MANAGEMENT POLICY

SCOPE

Risk Assessment and Management Policy ("Policy") establishes the philosophy of the National Peroxide Limited ("Company"), towards risk identification, analysis and prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company. This policy is applicable to all the functions and departments of the Company.

OBJECTIVE

The objective of this policy is to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The key objectives of this policy are:

a) Safeguard the Company property, interests, and interest of all stakeholders.
b) Lay down a framework for identification, measurement, evaluation, mitigation and reporting of various risks.
c) Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
d) Balance between the cost of managing risk and the anticipated benefits.
e) To create awareness among the employees to assess risks on a continuous basis and develop risk mitigation plans in the interest of the Company.
f) Provide a system for setting of priorities when there are competing demands on limited resources.

1. Risk Management Committee:

The Board of Directors shall constitute a Risk Management Committee of the Board ("the Committee"). This Risk Management Policy will be implemented through the Committee accountable to the Audit Committee / Board of Directors.

2. Composition of the Committee:

The Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

3. Meetings of Risk Management Committee:

The Committee shall meet at least twice in a year.

4. Quorum of the Meeting:

The quorum necessary for transacting business at a meeting of the Committee shall be either two members or one third of the members of the Committee, whichever is higher, including at least one member of the board of directors in attendance.

The meetings of the committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

5. Roles and Responsibilities of the Committee:

The Board of Directors shall define the role and responsibility of the Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit. Such function shall specifically cover cyber security and inter alia include the following:

a) To formulate a detailed risk management policy which shall include:
   (i) 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.
   (ii) Measures for risk mitigation including systems and processes for internal control of identified risks.
   (iii) Business continuity plan.
b) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
c) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
d) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
e) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
f) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any), shall be subject to review by the Risk Management Committee.
g) To discuss with senior management, the Company's Enterprise Risk Management ("ERM") and provide oversight as may be needed.
h) To ensure that it is apprised of the most significant risks along with the action management is taking and how it is ensuring effective ERM.
i) To review risk disclosure statements in any public documents or disclosures.
j) To review and recommend changes to the Risk Assessment and Management Policy and/or associated frameworks, processes and practices of the Company.
k) To be aware and concur with the Company's risk appetite including risk levels, if any, set for financial and operational risks.
l) To ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
m) To review the Company's portfolio of risks and consider it against the Company's Risk Appetite.
n) Being apprised of significant risk exposures of the Company and whether Management is responding appropriately to them.
o) To report periodically to the Audit Committee/Board of Directors.

p) Perform other activities related to this Policy as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

The Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

6. Powers of the Committee:

(a) The Committee shall have access to any internal information necessary to fulfill its oversight role.
(b) The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure information of outsiders with relevant expertise, if it considers necessary.
(c) Such other powers as the Board may confer to the Committee from time to time.

7. Board of Directors:

The Company shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

The Board of Directors shall be responsible for:

(a) Framing, implementing and monitoring the risk management plan for the Company;
(b) Reviewing and guiding on the Risk Assessment and Management Policy;
(c) Ensuring that appropriate systems of control are in place, in particular, systems for Risk Management;
(d) Report of Board of Directors 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.

8. Audit Committee

Audit Committee shall be responsible for evaluation of Internal Financial Controls and Risk Management Systems and report the same to the Board.

9. Internal Auditors:

Internal auditors will guide the Company to ensure that risk management processes are adequately followed by the Company and statutory requirements [such as adherence to the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 and other applicable laws including any statutory amendment(s) modification(s) or re-enactment(s) thereof, for the time being) are complied with.

10. Risk Management Procedure:

The Company is required to maintain procedures to provide the systematic view of the risk faced by the Company in the course of its business activities. This will require the Company to:

(a) **Establish a context:** Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
(b) **Identify Risks:** This is the identification of what, why and how events arise as the basis for further analysis.
(c) **Analyze Risks:** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce anestimated level of risk.
(d) **Evaluate Risks:** This is a comparison of estimated risk levels against pre- establishedcriteria. This enables risks to be ranked and prioritized.
(e) **Treat Risks:** For higher priority risks, the Company is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
(f) **Monitor and Review:** This is for the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
(g) **Communication and Consultation:** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

11. Approach to Risk Management:

The following methodology will be adopted to identify and mitigate risks to which they are subjected.

11.1 Identification of Risks: This would envisage identification of the potential list of events/ perils/ risks/ factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories. This isan illustrative list and not necessarily an exhaustive classification.

- **Strategic Risk:** Competition, inadequate capacity, high dependence on a single customer/vendor.
- **Business Risk:** Project viability, process risk, technology obsolescence/ changes, development of alternative products.
- **Finance Risk:** Fraud, Liquidity, credit, currency fluctuation.
- **Environment Risk:** Non-compliances to environmental regulations, risk of health to people at large.
- **Personnel Risk:** Health and safety, high attrition rate, incompetence.
- **Operational Risk:** Process bottlenecks, non-adherence to process parameters/ pre-defined rules.
- **Reputation Risk:** Brand impairment, product liabilities.
- **Regulatory Risk:** Non-compliance to statutes, change of regulations.
- **Technology Risk:** Innovation, obsolescence.
- **Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment.

11.2 Evaluate and Prioritize Risks: Estimate risk levels against pre-established criteria as may be determined by the Committee. This will enable risks to be ranked and prioritized. The risks can be evaluated by plotting them on the Risk Map.

11.3 The Committee should identify certain risks, which cannot be quantified in monetary terms and as such not possible to rank them. In such cases, the consequences of the risk need to be evaluated.

The following could be used as criteria to identify such risks:

- Impact on fatality or irreversible disability/impairment to human life.
- Impact on the environment
- Impact on the Brand Equity including public litigation

12. Risk Register:

The Company should ensure compilation of a Risk Register in the appropriate format.

13. Treat Risks:

To support the Committee, the Management in consultation with the Committee shall appoint a 'Chief Risk Officer' to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

For high priority risks, the Committee with the help of Chief Risk Officer and Management should develop and implement specific risk management/ mitigation plans. Low priority risks may be accepted and monitored.

The Committee should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities. The Committee should ensure approval of the control measures to be initiated against the identified risks from the designated personnel after analyzing cost v/s benefits.

14. Monitor and Review:

To support the Chief Risk Officer, every business function/department will depute a manager not below a Manager level as the "Risk Champion" to monitor and review risks pertaining to concerned function/department.

The Committee is responsible for overall monitoring of the risk management processes.

15. Communication and Consultation:

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

16. Reporting:

Quarterly reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee and Board. The responsibility of compilation of report is entrusted with the Committee. The Risk Champions should submitquarterly report on the compliance of the risk assessment and management policy to the Committee.

17. Training:

The Committee in discussion with Chief Risk Officer should identify the need for imparting training to Risk Champions as well as other key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc. The training budget should be prepared at the beginning of the year and should be approved by the appropriate authority.

18. Retention of Documents:

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years.

19. Implementation Review:

To ensure adequate and complete implementation of this policy, internal audit reviews should be carried out at least annually.

20. Policy Review:

To review the risk management policy periodically including changing industry dynamics and evolving complexity.

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