Allied Blenders & Distillers Limited

Draft Risk Management Policy

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Version	Date	Description of changes	Approval
1.0			
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INTRODUCTION

Allied Blenders & Distillers Limited (referred to as "ABDL" or "Company") acknowledges that the Company needs to be well prepared to manage its risks appropriately, in view of the associated uncertainties with the evolving business landscape and varying regulatory requirements, influenced by a variety of shifting forces. The Company believes that risk management is essential to achieve its strategic objectives and create value for stakeholders.

The Company has laid down a Risk Management Policy (*hereafter referred to as* "Policy") that provides 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 across the Company's business units and corporate functions to facilitate risk aware decision-making that is mindful of the Company's strategies to achieve its corporate objectives, as well as recognize and timely mitigate risks that may impact the Company. The policy supports the Company's endeavor to design, implement, monitor, review, and continually improve its risk management practices.

This policy must be read in conjunction with the ERM Framework for detailed methodology.

1. Purpose

The purpose of this policy is to define the requirements around Enterprise Risk Management and comply with the regulatory requirements. This policy sets out the objectives and accountabilities for risk management within the Company such that it is robust, structured, consistent, complied, and effective to drive and thereupon improve the Company's risk management capabilities in a dynamic business environment.

2. Regulatory Requirements

The Companies Act 2013, and SEBI LODR (hereafter referred to as "Listing Regulations"), 2015 and as amended from time to time, have incorporated various provisions in relation to Risk Management Policy which are as follows:

SEBI LODR Regulations 2015

With ABDL listed in the Indian stock exchanges, it is required to comply by the standards laid down by the regulator, Securities and Exchange Board of India (SEBI). Following are the key requirements relating to risk management that are applicable to the Company:

1. The Board of Directors shall have the following responsibilities with respect to risk management including:
    - Review the Risk Policy **[Regulation 4 (2) (f) (ii) (1)]**
    - Ensure integrity of the Risk Management systems **[Regulation 4 (2) (f) (ii) (7)]**
    - The Board of Directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures, and the key areas of the listed entity's focus**. [Regulation 4 (2) (f) (iii) (10)] – presentation**
2. The listed entity shall lay down procedures to inform members of Board of Directors about risk assessment and minimization procedures. **[Regulation 17 (9) (a)**
3. The Board of Directors shall be responsible for framing, implementing, and monitoring the risk management plan for the listed entity. **[Regulation 17 (9) (b)**

4. **Risk Management Committee (RMC) [Regulation 21]**

- **RMC shall have minimum three members** majority of them being Board of Directors **and at least one independent director**. The **Chairperson of the RMC** shall be a member of the board of directors and senior executives of the listed entity may be members of the Committee [**Regulation 21 (2)]**
- The Risk Management Committee shall meet at least twice in a year **[Regulation 21, (3A)].**
- The quorum for a meeting of the Risk Management 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 **[Regulation 21, (3B)].**
- The meetings of the risk management 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 **[Regulation 21, (3C)].**
- **Risk Management Committee (RMC) has the following roles and responsibilities [Part D of Schedule II]:**
    - Advise the Board on the effectiveness of the risk management systems at least annually.
    - Keep the Board informed about the nature and content of RMC discussions, recommendations, and actions to be taken.
    - Formulate a detailed Risk Management policy, which would include:
        - Measures for risk response, including systems/processes for internal control of identified risks.
        - A Business Continuity Plan
        - A **framework for identification** of internal and external risks faced by listed entities, including financial, operational, sectoral, sustainability (particularly Environment Sustainability and Governance - ESG -related risks), information, cybersecurity risks and any other risk determined by the RMC.
- **Monitor and oversee implementation** of the risk management policy, and ensure that appropriate methodology, processes, and systems are in place to **monitor** and evaluate risks associated with business of the company.
- Periodically **review** the policy, **at least once in two years**, considering the changing industry dynamics and evolving complexity.
- Review the process of appointment, removal, and terms of remuneration of **Chief Risk Officer (CRO)**, if any.
- RMC shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary**. [Regulation 21, (6)]**
- Listed companies are required to disclose the following about RMC in the annual report **(Schedule V, Para C, 5A):**
    - Brief description of terms of reference
    - Composition, name of members and chairperson
    - Meetings and attendance during the year

Companies Act 2013

Companies in India are required to comply by the standards laid down by the Companies Act 2013. Following are the requirements related to Risk Management as per Companies Act (2013):

- 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)]]**
- The Audit Committee shall act in accordance with the terms of reference specified in writing by the board, which shall, inter alia, include evaluation of risk management systems. **[Section 177 (4) (vii)]**
- Independent directors should satisfy themselves that the systems of risk management are robust and defensible. **[Schedule IV]**

Approach for compliance to these regulations in defined in the Risk Management Framework

3. Scope

This Risk Management Policy is applicable to all business units and corporate functions across Allied Blenders & Distillers Limited and business partners.

4. Objectives

The Risk Management Policy provides a structured and disciplined approach to the ERM process to facilitate informed decision-making on risks, with specific objectives mentioned below:

- Promote an effective and proactive risk management culture that supports the Company's growth strategy and business objectives with the help of established ERM Framework and Governance Structure
- Establish and guide risk governance by clearly defining the roles and responsibilities with respect to risk management. Further define frequency for reporting and monitoring of risks to keep the management and the relevant stakeholders updated established in Risk Governance Structure.
- To give an overview of Risk Management Process that includes risk identification, assessment, response, monitoring, and reporting. The detailed processes are defined in the Risk Management Framework.
- Identify and pursue existing and new opportunities in accordance with the Company's risk appetite, and strategy with the help of inputs from senior leadership on strategic and growth objectives.
- Facilitate compliance with all applicable regulatory requirements, related to risk management and reporting via timely/ regular updates to the risk management policy as per the guidelines mentioned in the approval and review segment of the policy.

5. Risk Management Policy Statement

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

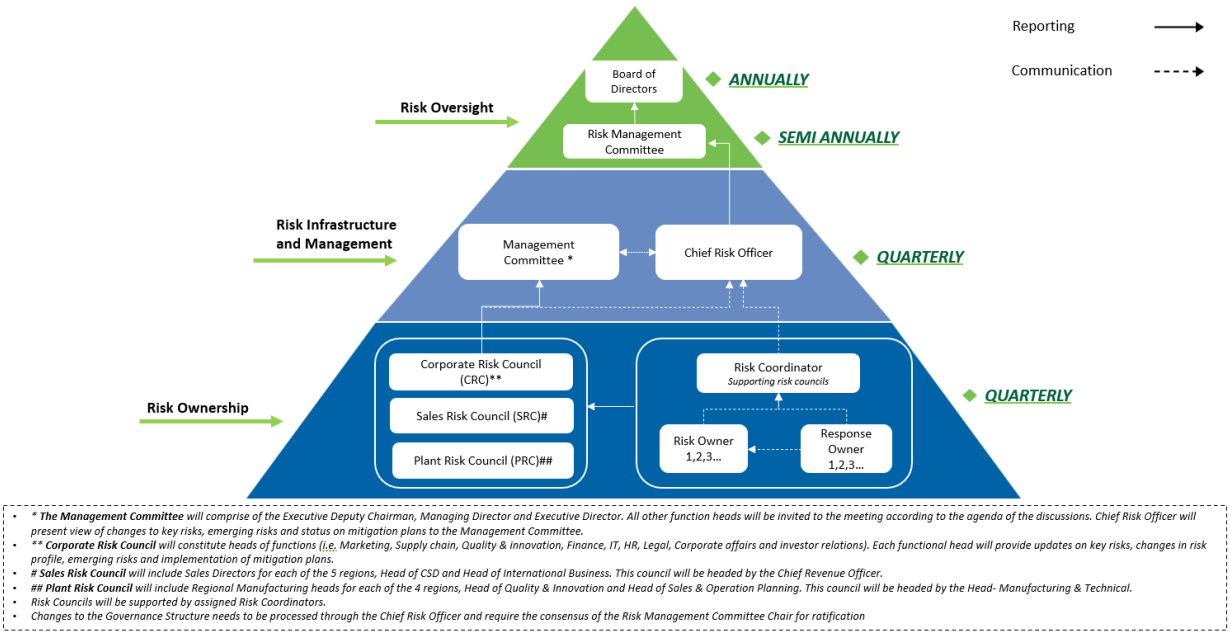
- The Company endeavors to create and foster risk awareness across the Company, through continuous education and training on risk management.
- The Company shall encourage and strengthen the accountabilities, ownership, and responsibilities with respect to risk management across all levels and activities 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, corporate functions of the Company.
- The Company endeavors to create and foster risk awareness across the Company, through continuous education and training on risk management.

6. ERM Governance Structure

The responsibility for risk management is shared across the organization. The company has established three pillars of risk management responsibilities in its Governance structure as Risk Oversight, Risk Infrastructure and Management, and Risk Ownership, that cascades the scope of activities to senior management and all employees, across the Company.

Figure 1: ERM Governance Structure



- ** The Management Committee will comprise of the Executive Deputy Chairman, Managing Director and Executive Director. All other function heads will be invited to the meeting according to the agenda of the discussions. Chief Risk Officer will present view of changes to key risks, emerging risks and status on mitigation plans to the Management Committee.*
- *** Corporate Risk Council will constitute heads of functions (i.e. Marketing, Supply chain, Quality & innovation, Finance, IT, HR, Legal, Corporate affairs and investor relations). Each functional head will provide updates on key risks, changes in risk profile, emerging risks and implementation of mitigation plans.*
- *# Sales Risk Council will include Sales Directors for each of the 5 regions, Head of CSD and Head of International Business. This council will be headed by the Chief Revenue Officer.*
- *## Plant Risk Council will include Regional Manufacturing heads for each of the 4 regions, Head of Quality & Innovation and Head of Sales & Operation Planning. This council will be headed by the Head- Manufacturing & Technical.*
- *Risk Councils will be supported by assigned Risk Coordinators.*
- *Changes to the Governance Structure needs to be processed through the Chief Risk Officer and require the consensus of the Risk Management Committee Chair for ratification*

7. Enterprise Risk Management Responsibilities

A. 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 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, affixing enterprise risk appetite, 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 associated risk response plans. The Board will review the Company's portfolio of risk and determine if it is well within the Company's appetite for risks.

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

- Approve the Risk Management Policy and ERM Framework document.
- Review and approve the company's risk profile.
- Approve the risk appetite for the company.
- Evaluate the effectiveness of risk management systems by suggesting improvement areas that can be implemented on an annual basis.
- Review the risk exposure of the company, including strategic and emerging risks, or risks that may impact the business continuity and associated risk response plans.
- Review and approve external risk related disclosures, in adherence to regulatory requirements.

7.1.2 Risk Management Committee

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

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

- Review the risk management policy and the framework for identification of risks, measures for risk response and recommend to the Board for its approval.
- Review and recommend for Board's approval the risk profile and risk appetite for the company level.
- Oversee and approve the company's risk management practices and advise the Board on all matters related to ERM.
- Monitor and review the enterprise level key risks.
- Ensure risk assessment and treatment procedures are implemented.

B. Risk Infrastructure and Management

The Risk Governance and Oversight function comprises of the Board and Risk Management Committee, who play a pivot 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 employees of the Company. The roles and responsibilities for teams constituting the risk infrastructure function as per the risk governance structure are as elaborated below:

Management Committee

The Management Committee shall assist the Risk Management Committee in fulfilling its oversight responsibility for the risk management process and systems within the Company.

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

- Review the existing risk management process and documentation.
- Review enterprise level key risks associated risk response plans for the functions under their scope, and the changes in risk rating (if any) for reporting to the Risk Management Committee.
- Ensure that a risk management culture is fostered and developed and that the ERM system is embedded within the company's daily operations.
- Help establish limits and controls on risk appetite for the company.
- Set-up mechanisms to identify various scenarios that will adversely impact business continuity of the company.

7.2.1 Chief Risk Officer (CRO)

The Chief Risk Officer shall assist the Board and the Risk Management Committee in review and oversight responsibilities related to ERM. The CRO shall facilitate the risk management processes within the Company and support the management in fostering and developing a risk aware culture.

The roles and responsibilities of the CRO shall include:

- Facilitate the governance of risk management processes throughout the company.
- Set directions for risk management activities within the company and facilitate and advise on the execution of risk management plan and related activities across the company.
- Support management in determining risk appetites, identifying trends, and emerging risks in existing structure; assist in identifying and assessing risks for new business initiatives, and in evaluating strategic alternatives.
- The CRO shall assist the management in establishing an effective monitoring system and monitor key enterprise risk(s) on an ongoing basis covering the review of cost, adequacy and effectiveness of risk response plans, completeness and accuracy of risk reporting and timely remediation of deficiencies.
- Assist in aligning the Risk Management Framework with the Internal Control Framework to ensure key operational risk are adequately and appropriately managed.
- Update Risk Management Committee on key initiatives taken around risk management, and existing and emerging risks.
- Oversee flow of information and escalation of key risk(s) and concerns between the Risk Management Committee and Management Committee.
- Carry out any other activities as may be delegated by the RMC.

C. Risk Ownership

7.3.1 Corporate / Sales / Plant Risk Council

The Corporate/Sales/Plant Risk Council is a Corporate/Sales/Plant level committee. The Councils shall be responsible for providing oversight for the risk management process and systems within the functions under their scope.

The roles and responsibilities of Councils shall include:

- Provide updates to the Management Committee on the risk management processes in different functions at the Corporate / Sales / Plant level and review the risk management systems of the Corporate / Sales / Plant respectively and ensure that infrastructure, resources, and systems are in place for effective risk management.
- Approve new risks brought forth by the respective risk owners and discuss the status of Corporate / Sales / Plant level key risks and response plans.
- Review key risk(s), associated response plans, and the changes in risk rating. Thereafter, the Corporate / Sales / Plant Risk Council shall prioritize the key risks and associated response plans.
- Present risk register, key risks, associated response plans, changes in risk ratings to the Management Committee and communicate with CRO.
- Review key risk(s), associated response plans and its impact on risk levels, and the changes in risk rating for reporting and monitor implementation of risk management framework at enterprise level.

7.3.2 Risk Co-Ordinator

Sound risk management is best achieved by embedding it across the Company's Business Units and corporate functions. The risks across all functions are reviewed by the Risk Co-Ordinator. These reviews shall be performed on an ongoing basis within their regular review meetings.

The roles and responsibilities of the Risk Co-Ordinator include:

- Assist the Councils in fulfilling the risk management responsibilities for their respective functions.
- Consolidate the risk register for each function, in consultation with Risk Owners.
- Present risk register, key risks, associated response plans, changes in risk ratings to the respective councils and communicate with CRO.
- Report key risk(s), progress on the risk assessments and respective response plans for the respective functions to the respective council and communicate with CRO.
- Ensure adequate justification is given to the CRO on the changes in risk ratings, vis-a-vis the internal and external factors that have played a role in the change in risk ratings, adequacy of existing controls/risk response plans implemented or reasons for not addressing the emerging risk(s) in previous review cycles.
- Escalation of challenges, concerns, or unforeseen developments to CRO pertaining to existing or emerging risk(s).
- Identifying the areas, which need insurance or financial cover to protect against loss. Carry out any other activities as may be delegated by the CRO.

7.3.3 Risk Owners

The final ownership of enterprise risks and risk response rests with the Risk Owners. The Risk Owner is usually a senior member of the function, the head of the department or so, who can drive and monitor the progress of the response plans. The Risk Owners may further delegate the response plans and action plans down the hierarchy to ensure ground-level implementation of response plans.

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 control measures with remedial action/response plans.
- Propose new risks to the Risk Co-Ordinator
- Monitor status of existing controls and future action response action plans.
- Identify key risks for their respective function or process and report their progress to the Risk Co-Ordinator.

7.3.4 Response Owner

Response Owners shall be appointed to monitor existing controls and develop risk response plans in consultation with Risk Owners.

The roles and responsibilities of the Risk Owners include:

- Work with the functional teams to ensure adherence and conformity to risk management policy and framework and identify and monitor risks for their respective functions.
- Review the progress of the mitigation plans on an ongoing basis.
- Escalation of challenges, concerns or unforeseen developments pertaining to existing or emerging risk(s) to the risk owners

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 based on leading risk management standard such as ISO 31000:2019 Risk Management Framework, that shall lay down the risk management process, in the following steps-

- **Scope, Context and Criteria:**

  a) To manage risk management process effectively, it is important to define the scope of the risk management process and understand the internal and external context within ABDL's risk appetite.

  b) The Risk appetite is determined basis the identified strategic objectives, growth plans and other considerations which are key to organizations vision & mission. The appetite so defined is used to assess the criticality of the identified risks.

- **Risk Assessment:** As part of 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 the 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 and discussions among other activities.

b) **Risk Analysis:** The purpose of risk analysis is to comprehend the nature of risk and its characteristics including 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 considering 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 inherent risk rating to identify key residual risks.

- **Risk Response:** Risk response refers to response 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 having definite review forums and defining 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 i.e., risks should be documented in risk repositories at a Functional, Corporate and Enterprise Level with appropriate categorization of each risk such as Financial, Operational, Regulatory, Reputational, Extended Enterprise, Strategic, Sectoral, Sustainability, Talent and Cyber, Information & Technological 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.

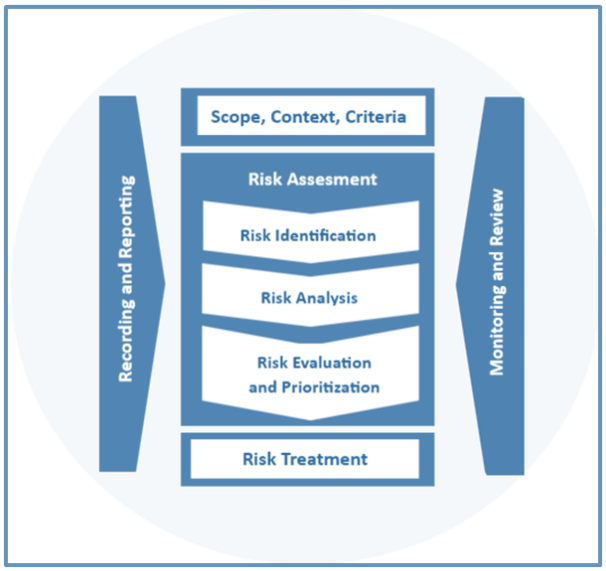


Figure 4: ERM Process

9. Communication

This policy shall be communicated across business units, corporate functions involved in the risk management process of the Company.

10. Document management

The Risk Management Policy is owned by the CRO and in his absence by the Company Secretary of the Company, for the purposes of this Policy. Changes to the document need to be processed through the owner and require the consensus of the Risk Management Committee for ratification.

Approval and Review of the Policy

As the approving authority, the Board will monitor compliance and approve any future amendments to the policy. The Policy serves as the guiding document for risk management and will be reviewed once every two years and/or any changes in business plans to ensure alignment with changes in the business environment and regulatory requirements. The Board of Directors must approve any changes to the Policy. The Managing Director is authorized to provide clarifications on the Policy when needed.

11.Disclaimer

In any circumstances, where the term of this Policy differs 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.