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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 and Regulation 17(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")and other applicable provisions (including any statutory enactments/amendments thereof), adopted the policy for risk assessment and minimization procedures and approved by the Board of Directors 10th August,2021 ("Policy").

As per the SEBI Listing Regulations, companies shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

Risk: Risk is an event which can prevent, hinder or fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

1.1 *Purpose*

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 objectives of the Policy can be summarized as follows:

(a) To safeguard the Company's and its subsidiaries'/ joint ventures' property, interests, and interest of all stakeholders;

(b) To manage risks with an institutionalized framework and consistently achieving desired outcomes;

(c) To protect and enhance the corporate governance;

(d) To implement a process to identify potential / emerging risks;

(e) To implement appropriate risk management initiatives, controls, incident monitoring, reviews and continuous improvement initiatives;

(f) Minimize undesirable outcomes arising out of potential risks; and

(g) To align and integrate views of risk across the enterprise.

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 Paradeep Phosphates 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.

3 RISK MANAGEMENT COMMITTEE

The Board of Directors of 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

- Formulation of a detailed risk management policy which shall include: (a) a 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 Risk Management Committee; (b) measures for risk mitigation including systems and processes for internal control of identified risks; and (c) business continuity plan;

- Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

- Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

- Periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity, and recommend for any amendment or modification thereof, as necessary;

- Keep the Board of directors of the Company informed about the nature and content of its discussions, recommendations and actions to be taken; and

- Review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any).

- To implement and monitor policies and/or processes for ensuring cyber security;

- Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable law, , as and when amended from time to time, including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015."

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

Conscious that no entrepreneurial activity can be undertaken without assumption of risks and associated reward opportunities, the Company operates on a risk management process /framework aimed at minimization of identifiable risks after evaluation so as to enable management to take informed decisions.

Broad outline of the framework is as follows:

a) **Risk Identification:** Management identifies potential events that may positively or negatively affect the Company's ability to implement its strategy and achieve its objectives and performance goals.

[Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

(i) Internal risks including:

- 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: Liquidity, credit, currency fluctuation.
- Environment Risk: Non-compliances to environmental regulations, risk of health to people at large.
- Personnel Risk: Health & safety, high attrition rate, incompetence.
- Operational Risk: Process bottlenecks, non-adherence to process parameters/ pre-defined rules, fraud risk.
- Reputation Risk: Brand impairment, product liabilities.
- Regulatory Risk: Non-compliance to statutes, change of regulations.
- Key Man risk, i.e. sudden/ unplanned/ long / permanent absence of the key managerial personnel
- Use of obsolete technology
- Inability to anticipate and meet customer requirements Financial risk

(ii) External risks including:

- Sectoral Risk: Unfavorable consumer behavior in relation to the relevant sector etc.
- Sustainability Risk: Environmental, social and governance relates risks.
- Political Risk: Changes in the political environment, regulation/ deregulation due to changes in political environment.

- Slowdown in economic growth of the Country
- Fluctuations in the foreign currency exchange rate risk
- uncertainties of nature like floods, earthquakes, drought etc Unfavourable changes in government policies or lack of political support

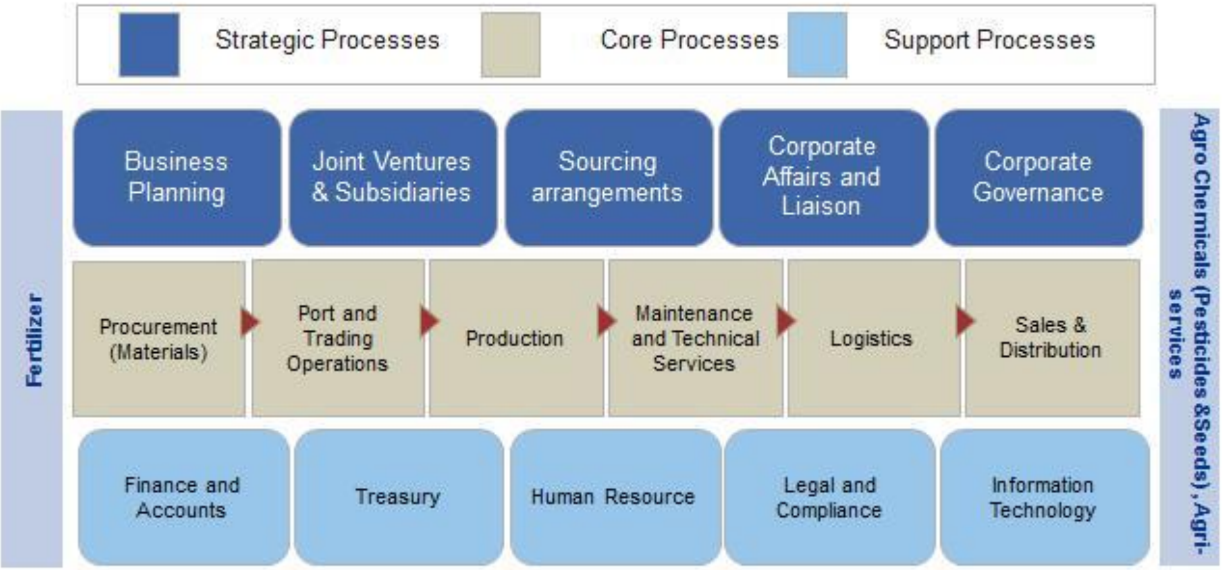
The process owners of each business process identify the different type of risks that effects/ may affect their business process. The risks identified are categorized as:

- Environment Risk
- Business Interruption Risk
- Legal Non Compliance Risk
- Operational Risk
- Investment Risk
- Efficiency Risk
- Profit Risk
- Asset Health Risk Subsidy Risk

b) **Root Cause Analysis:** Undertaken on a consultative basis, root cause analysis enables tracing the reasons / drivers for existence of a risk element and helps developing appropriate mitigation action.

c) Risk Scoring and coverage:

Coverage of Risk Assessment shall include the following:



6.1 ***Risk Management Process***

a. 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.

Detailed process for Risk Assessment is as under:

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 categorization

Risk Categorization: The identified risks are further grouped in to (a) preventable; (b) strategic; and (c) external categories to homogenize risks.

i. Preventable risks are largely internal to the Company and are operational in nature. The endeavor is to reduce /eliminate the events in this category as they are controllable. Standard operating procedures and audit plans are relied upon to monitor and control such internal operational risks that are preventable.

ii. Strategy risks are voluntarily assumed risks by the senior management in order to generate superior returns / market share from its strategy. Approaches to strategy risk is ‘accept’/‘share’, backed by a risk-management system designed to reduce the probability that the assumed risks actually materialize and to improve the Company’s ability to manage or contain the risk events should they occur.

iii. External risks arise from events beyond organization’s influence or control. They generally arise from natural and political disasters and major macroeconomic shifts. Management regularly endeavours to focus on their identification and impact mitigation through ‘avoid’/‘reduce’ approach that includes measures like business continuity plan / disaster recovery management plan / specific loss insurance / policy advocacy etc.

a) Risk Prioritization:

Based on the composite scores, risks are prioritized for mitigation actions and reporting

b) Risk Mitigation Plan:

Management develops appropriate responsive action on review of various alternatives, costs and benefits, with a view to managing identified risks and limiting the impact to tolerance level. Risk mitigation plan drives policy development as regards risk ownership, control environment timelines, standard operating procedure, etc.

Risk mitigation plan is the core of effective risk management. The mitigation plan covers:

(i) Required action(s);

(ii) Required resources;

(iii) Responsibilities;

(iv) Timing;

(v) Performance measures; and

(vi) Reporting and monitoring requirements

The mitigation plan may also covers (i) preventive controls - responses to stop undesirable transactions, events, errors or incidents occurring; (ii) detective controls - responses to promptly reveal undesirable transactions, events, errors or incidents so that appropriate action can be taken; (iii) corrective controls - responses to reduce the consequences or damage arising from crystallization of a significant incident.

Therefore, it is drawn with adequate precision and specificity to manage identified risks in terms of documented approach (accept, avoid, reduce, share) towards the risks with specific responsibility assigned for management of the risk events.

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.

iv. **Terminate –** This applies to risks we cannot mitigate other than by not doing work in that specific area. So if a particular project is of very high risk and these risks cannot be mitigated we might decide to cancel the project.

c) Risk Monitoring:

It is designed to assess on an ongoing basis, the functioning of risk management components and the quality of performance over time. Staff members are encouraged to carry out assessments throughout the year.

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 –

- 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
- Assess the adequacy and operating effectiveness of mitigating controls.
- 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.
- Periodical review of updates to risk register and risk monitoring system by outside agency

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

f) Risk Reporting and Communication

Periodically, key risks are reported to the Board or risk management committee with causes and mitigation actions undertaken/ proposed to be undertaken.

The internal auditor carries out reviews of the various systems of the Company using a risk based audit methodology. The internal auditor is charged with the responsibility for completing the agreed program of independent reviews of the major risk areas and is responsible to the audit committee which reviews the report of the internal auditors on a quarterly basis.

The statutory auditors carries out reviews of the Company's internal control systems to obtain reasonable assurance to state whether an adequate internal financial controls system was maintained and whether such internal financial controls system operated effectively in the company in all material respects with respect to financial reporting.

On regular periodic basis, the Board will, on the advice of the audit committee, receive the certification provided by the CEO and the CFO, on the effectiveness, in all material respects, of the risk management and internal control system in relation to material business risks.

The Board shall include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

c) Risk Management Measures adopted in general by the Company:

The Company has adopted various measures to mitigate the risk arising out of various areas described above, including but not limited to the following:

(i) A well-defined organization structure;

(ii) Defined flow of information to avoid any conflict or communication gap;

(iii) Hierarchical support personnel to avoid work interruption in absence/ non-availability of functional heads;

(iv) Discussion and implementation on financial planning with detailed business plans;

(v) Detailed discussion and analysis of periodic budgets;

(vi) Employees training and development programs;

(vii) Internal control systems to detect, resolve and avoid any frauds;

(viii) Systems for assessment of creditworthiness of existing and potential contractors/subcontractors/ dealers/vendors/ end-users;

(ix) Redressal of grievances by negotiations, conciliation and arbitration; and

(x) Defined recruitment policy.

f) RESPONSIBILITY FOR RISK MANAGEMENT

6.2

Responsibility holder	Responsibilities
Board	The Company's risk management architecture is overseen by the Board and the policies to manage risks are approved by the Board. Its role includes the following: • Ensure that the organization has proper risk management framework • Define the risk strategy, key areas of focus and risk appetite for the company • Approve various risk management policies including the code of conduct and ethics • Ensure that senior management takes necessary steps to identify, measure, monitor and control these risks
Audit Committee	The Audit Committee assists the Board in carrying out its oversight responsibilities relating to the Company's (a) financial reporting process and disclosure of financial information in financial statements and other reporting practices, b) internal control, and c) compliance with laws, regulations, and ethics (d) financial and risk management policies. Its role includes the following: • Setting policies on internal control based on the organisation's risk profile, its ability to manage the risks identified and the cost/ benefit of related controls; • Seeking regular assurance that the system of internal control is effective in managing risks in accordance with the Board's policies. • Ensure that senior management monitors the effectiveness of internal control system • Help in identifying risk, assessing the risk, policies / guidance notes to respond its risks and thereafter frame policies for control and monitoring.
Risk Management Committee	The Risk Management Committee, as constituted by the Board, is the key committee which implements and coordinates the risk function as outlined in this policy on an ongoing basis. Its role includes the following: • Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

	• Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems; • Periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity, and recommend for any amendment or modification thereof, as necessary; • Keep the Board of directors of the Company informed about the nature and content of its discussions, recommendations and actions to be taken; • Review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any); • To implement and monitor policies and/or processes for ensuring cyber security; and any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable law.

g) BUSINESS CONTINUITY PLAN

Business Continuity Plan (BCP) is a step-by-step guide to follow response to a natural or man-made crisis or any other incident that negatively affects the firm's key processes or service delivery. The objective of the Business Continuity Plan is to support the business process recovery in the event of a disruption or crisis. This can include short or long-term crisis or other disruptions, such as fire, flood, earthquake, explosion, terrorism, tornadoes, extended power interruptions, hazardous chemical spills, Epidemic and Pandemic and other natural or man-made disasters.

h) 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.

i) DISCLAIMER CLAUSE

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

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.