



**JINDAL STAINLESS LIMITED**

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# **RISK MANAGEMENT POLICY**

*(Last amended on 18<sup>th</sup> January, 2024)*

## 1. PREAMBLE

The Policy is formulated in compliance with Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

Jindal Stainless Limited (“Company”) is committed to develop an integrated Risk Management Framework:

- a.) To achieve the strategic objective while ensuring appropriate management of risks.
- b.) To ensure protection of stakeholders value.
- c.) To provide clear & strong basis for informed decision making at all levels of the organization.
- d.) To strive towards strengthening the Risk Management System through continuous learning & improvement.

Every employee of the company is recognized as having role in risk management for identification of risk to treatment and shall be invited & encouraged to participate in the process.

There will be a Risk Management Committee to determine key risks, communicate policy objectives, procedures & guidelines and direct & monitor implementation, practice & performance throughout the Company.

## 2. OBJECTIVE

The prime objective of this Risk Management Policy is to ensure sustainable business growth with stability and establish a structured and intelligent approach to risk management in the Company which shall promote a proactive approach in analysis, reporting and mitigation of key risks associated with the business in order to ensure a sustainable business growth.

### **The specific objectives of the Risk Management Policy are:**

- 1.) To establish a risk intelligence framework for the organization.
- 2.) To establish ownership throughout the organization and embed risk management as an integral part of the business rather than a standalone system.
- 3.) To help the decision makers of the organization explicitly take account of uncertainty, the nature of that uncertainty, and work towards a solution to address it.
- 4.) To ensure that all the current and expected risk exposures of the organization are identified, qualitatively and quantitatively evaluated, analyzed and appropriately managed.
- 5.) To enable compliance with the relevant legal and regulatory requirements and international norms.
- 6.) To assure demonstrable achievement of objectives and improvement of financial stability of the organization.

### 3. RISK GOVERNANCE AND MANAGEMENT

The Company is committed to recognizing and managing risks it is exposed to, and has put in place mechanisms to handle the same. The Company's management systems, organizational structures, processes, standards and code of conduct together form its internal control systems, which govern how it conducts its business and manage all associated risks.

The business of the Company is susceptible to certain risks and uncertainties arising out of the macroeconomic factors. The key risks faced by the Company and their mitigation strategies *inter-alia* are as follows:

#### 3.1 Operational Risks

##### i. Volatility in key raw materials

Nickel and Ferro-chrome are the major raw materials used in the Stainless Steel (SS) industry, which also contribute significantly to the product cost. These raw materials are exposed to price and availability fluctuations, as is the case with all commodity-based industries. Such volatility in raw material tend to impact the costing of user industries.

##### Key Mitigation Strategies

- Maximizing domestic scrap-booking along with increase in the imported scrap-booking from nearby sources.
- Reducing the lead time of procurement of Nickel / Ferro Nickel / Stainless Steel Scrap through efficiency in the supply chain process.
- Matching Nickel procurement ordering quantity with sales booking and also with dispatches from the plant.
- Maintaining low inventory at Plant.
- Due to the steps mentioned above natural hedging to a large extent gets achieved on Nickel priced-in and priced-out every month. However, inventory as mentioned above is still exposed to price risk.

##### ii. Supply Chain Risk

Volatility in supply chains poses a risk to the Stainless steel industry. The supply chain is highly susceptible to disruptions caused by natural disasters, political instability including wars, embargoes, and trade wars, economic downturns, and technological disruptions. Natural disasters such as floods, earthquakes, and hurricanes can damage infrastructure, disrupt transportation, and cause shortages of raw materials. COVID was a case in point to substantiate the risk to the industry on this account. Additionally, geopolitical tensions and fragmentation can disrupt supply chains, increase trade barriers, and escalate uncertainty, affecting the Company's operations and profitability.

##### Key Mitigation Strategies

- The Company has robust and resilient systems in place to source raw materials from diversified sources to consistently produce stainless steel.
- The Company's ability to adapt swiftly to changing geopolitical dynamics also allow us to bolster resilience in an ever-evolving global economic landscape.

- The Company has taken steeper targets to shorten the supply chain, and started parallel projects to develop domestic substitutes in place of time taking imports. Suppliers' yards are negotiated to be moved closer to our factories.
- Creating comprehensive risk management plans that account for potential supply chain disruptions is essential.
- Diversifying suppliers and employing just-in-time inventory strategies.

**iii. Unfavourable Trade Measures**

Withdrawal of favourable trade measures such as minimum import prices, anti-dumping laws, countervailing duties and tariffs, trade restrictions may have an adverse impact on the Company. There exists a possibility of a change in the overall duty structure on key raw materials/finished goods by the Government. Non anti-dumping duty on cheap imports and duty on exports from India can materially affect the profitability and operations of the Company.

**Key Mitigation Strategies**

- The Company stays informed about market dynamics, regulatory changes and emerging trends in the stainless steel industry. Being adaptive and responsive to changing circumstances is essential for effectively mitigating risks associated with non-anti-dumping of goods by steel companies in India;
- Diversification of export markets for Indian stainless steel products to reduce reliance on any single market. This can help mitigate the impact of anti-dumping measures imposed by any particular country or region;
- The Company monitors the imports of stainless steel products into India and assessing whether there are any unfair trade practices such as dumping or subsidies by foreign steel producers; and
- The Company works with industry associations and trade bodies to advocate for measures that protect the interests of the domestic stainless steel industry.

**iv. Information Technology (IT) Security Risks**

A significant risk lies in potential cyberattacks targeting its manufacturing process control systems. With modern industries relying heavily on interconnected technologies, malicious actors could exploit vulnerabilities to gain unauthorised access to critical systems. Such attacks could disrupt production, lead to equipment malfunction, or cause physical damage, resulting in operational downtime, financial losses, and compromised product quality.

**Key Mitigation Strategies**

- Adequate network security measures;
- Regular system updates;
- Employee training;
- Robust incident response plans; and
- Safeguarding manufacturing processes from cyber threats and prioritizing data security.

**v. People / Human Resources Risks**

Any labor dispute or social unrest in region where the Company operates may adversely affect its operations and financial condition and inability to attract and retain employees, may affect the Company's business and prospects.

#### **Key Mitigation Strategies**

- Building relations with key stakeholders including local/regional prominent people, interest groups and bureaucracy across levels of administrative machinery (taluka to state level) to address labour or social unrest;
- Succession planning for Senior Management to ensure continuity in business; and
- People related policies for attracting and retaining talent.

### **3.2 Regulatory Risks**

Regulatory risk including change in laws and regulations may materially impact a security, business, sector, or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of an investment, or change the competitive landscape in a given business sector. In extreme cases, such changes can dampen a company's growth prospects.

#### **Key Mitigation Strategies**

- The Company is closely monitoring developments in the stainless steel sector surrounding all regulatory risks and adapting its strategies accordingly to mitigate the risks and foster industry growth;
- The Company continues to update the business policies to ensure compliance with government or market regulator standards and regulations;
- Dialogue with regulatory authorities for greater clarity and availing legal consultations for timely clearances; and
- Working with industry associations towards simplification of rules, a predictive policy regime and transition time for regulatory changes.

### **3.3 Financial Risks**

- Liquidity risk:** Since the Company operates a capital intensive industry, therefore non availability of credit from suppliers/ banks etc. can result in low liquidity which can hamper the manufacturing operations/profitability/diversification plans of the Company.
- Fluctuation in Foreign currency:** Since the Company's imports and exports are substantial, any fluctuation in the exchange rates can impact the costing/competitiveness of the Company's products and consequently the profitability of the Company.
- Interest rate risk:** The Company is exposed to changes in interest rates through bank borrowings. Any increase in the interest rate would put pressure on the margins.

#### **Key Mitigation Strategies**

- Liquidity Risk Management: Management monitors rolling forecasts of the Company liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. Further, it also monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls;
- Foreign Currency Risk Management: For exposure to foreign exchange risk, the Company adopts the policy of selective hedging based on risk perception of management. Foreign exchange hedging contracts are carried at fair value; and

- Interest Rate Risk Management: The Company continuously monitors the interest rate and negotiates with the banks for lower interest rate.

### **3.4 Sustainability Risks**

#### **i. Greenhouse Gas Emissions & Climate Change Management**

The Company operates in an energy-intensive sector due to the nature of its operations. Greenhouse gas (GHG) emissions stem from the Company's facilities, arising from fuel consumption in stainless steel production, purchased electricity usage, and throughout the value chain. The main sources of direct emissions include fuel consumption in various operations such as the Steel Melting Shop (SMS), Rolling operations (both hot and cold), captive power plant, and ferroalloy processing.

##### **Key Mitigation Strategies**

- The Company continuously strives to seek Best Available Technologies (BAT) which are sustainable and more eco-friendly;
- Reducing fossil fuel-based energy use in our operations by using innovative energy efficiency technologies and process optimisation; and
- Shifting to renewables and/ or low carbon solutions where possible.

#### **ii. Water Management**

The operational activities of the Company involve processes in which water is an indispensable input. Thus, it is even more important to regulate the water consumption. Non-compliance to the regulatory requirement may lead to financial loss due to stoppage of operation and withdrawal of license to operate.

##### **Key Mitigation Strategies**

- Addressing water scarcity through principles of Reduce, Reuse, Recycle and Recover using best technologies;
- Minimizing withdrawal of fresh water by maximising the recycling of treated waste effluents within the plant;
- Rainwater harvesting at plant;
- Strengthen of water recycling and installation of zero liquid discharge (ZLD) technologies at plant sites; and
- Carrying out detailed water risk assessments to identify water losses and opportunities for water savings.

#### **iii. Air Emission Management**

Non - compliance of the regulatory requirement leading to air pollution at the plant sites of the Company may have an adverse impact on the health and safety of employees, workers, suppliers, environment and society, financial loss by levying fines or penalties, disruption in operations, etc.

##### **Key Mitigation Strategies**

- Well-designed state-of-the-art air pollution control devices (APCD) are in place;
- Effective fugitive emission management; and
- Continuous monitoring and reporting the air quality.

iv. **Health and Safety Risk**

The Company has a large number of employees and workers working at its various plants, who constantly devote their efforts towards the success of the Company. Therefore, it is critical to ensure well-being of the employees / workers and communities. Any significant safety incident / adverse regulatory order may lead to disruption in operations. Each incident have a negative impact on the health, well-being, morale of the employees / worker and reputation of the Company.

**Key Mitigation Strategies**

- Measurement of the safety performance statistics, which includes KPIs like fatalities, Lost Time Injury Frequency Rate (LTIFR), High-consequence work-related injury, Recordable work-related injuries, first aid cases, etc.;
- Multiple training to its employees for meeting the safety requirements. In terms of occupational diseases, workers in dust-prone areas and high decibel areas periodically undergo Spirometry and Audiometry tests at OHC center;
- Conducting pre-employment and periodic medical tests from time to time for both newly joined and existing employees;
- Implementation of occupational health and safety management system through ISO 45001:2018
- Adoption of 4-E (Engineering Control, Education, Encouragement & Enforcement) principle;

v. **Scrap Availability**

Growing environmental regulations make Steel majors consume more scrap resulting in less or no scrap availability.

**Key Mitigation Strategies**

- The Company advocate for supportive policies and regulations to promote the collection, dismantling, processing, and recycling of steel scrap in India;
- Developing/ investing in new technologies for scrap recycling and a circular economy approach;
- Exploring usage of alternative raw materials or scrap substitutes when traditional scrap sources are limited. This could involve using direct reduced iron (DRI), pig iron, or other metallic;
- Educating suppliers, customers, and the general public about the importance of recycling scrap metal.

#### 4. ROLES AND RESPONSIBILITIES:

##### 4.1 Board of Directors:

- a) The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit including cyber security.
- b) The board of directors shall frame, implement and monitor the risk management plan and policy for the Company and ensure that the systems for risk management are in place.

- c) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the listed entity to excessive risk.

#### **4.2 Audit Committee:**

The Audit Committee would review the risk assessment & minimization procedures across the Company after review of the same by the Risk Management Committee. The Audit Committee will assist the Board in independently assessing compliance with risk management practices. It will also act as a forum to discuss and manage key risks.

#### **4.3 Risk Management Committee:**

The role of the committee shall, *inter alia*, include the following:

- (1) To formulate 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 Committee.
  - b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c) Business continuity plan.
- (2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- (3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- (5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- (6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management 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 and 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.