

## Risk Management

# Navigating Challenges, Safeguarding Success

JSW Cement is cognisant of the pivotal role of risk management in the cement sector. We leverage the industry-standard COSO Enterprise Risk Management (ERM) framework, ensuring a comprehensive and systematic approach to identifying, assessing and mitigating potential threats. A clearly defined, Board-sanctioned policy empowers our management team to identify risks, evaluate their impact on the Company and develop effective mitigation strategies. This safeguards the value we create for our stakeholders while positioning us to capitalise on emerging business opportunities. We continuously evaluate the effectiveness of these strategies, ensuring we remain prepared to navigate the evolving business landscape and address potential risks with agility.

Our risk management approach incorporates both bottom-up and top-down strategies. The bottom-up process involves the identification and regular assessment of risks by our plants and corporate functions, followed by the implementation of effective mitigation strategies. Concurrently, our Risk Management Group (Senior Leadership Team) and the Risk Management Committee (RMC) adopt a top-down approach to identify and evaluate long-term, strategic, and macro risks to our business. Risk management exercise is undertaken twice a year.

### Oversight by the Risk Management Committee

A dedicated Risk Management Committee, a subcommittee of the Board, oversees the ERM framework. This committee ensures:

- Effective execution of risk management strategies with a focus on taking concrete actions
- Proactive monitoring of risks arising from various aspects of the business, including performance, operations, compliance, incidents, processes and systems. This ensures these risks are appropriately managed

### We recognise the importance of effectively managing and mitigating identified risks. This allows us to

- Safeguard the interests of our shareholders and other stakeholders
- Ensure we achieve our set business goals and objectives
- Foster a foundation for sustainable growth within the company
- To strengthen our internal processes and the create awareness, we conduct regular risk management training and awareness sessions for non-executive directors and the business functions throughout the organisation on risk management principles and the trends

### MEMBERS OF THE RISK MANAGEMENT COMMITTEE

Mr. Seshagiri Rao MVS (Chairman)

Mr. Sumit Banerjee

Mr. Akshaykumar Chudasama

Mr. Aashish Kamat



Increase



Decrease



Unchanged



## KEY RISKS, OPPORTUNITIES AND RESPONSE STRATEGIES

### R1 Strategic risk

#### Key risks

The demand and supply dynamics can affect consumer spending.

#### MITIGATION STRATEGIES

##### Increased production

Proactively scaling up capacity to meet the anticipated rise in demand

##### Market expansion

- Widening market base and diversifying customer segments
- Enhancing customer recall by delivering high-quality products with exceptional service focussed on customer needs
- Introducing new products to cater to evolving market trends

##### Market intelligence

Utilising market intelligence and insights from our marketing team to make informed decisions regarding production, market expansion and new product development

##### Cost control

Maintaining a focus on cost reduction by:

- Utilising alternative fuels as a cost-effective and sustainable replacement for traditional fuels
- Expanding WHRS to capture waste heat and reduce energy consumption, thereby lowering production costs

#### KEY TRENDS

- Rapid urbanisation and increasing demand for infrastructure
- Improved rural demand for housing
- Increased Government spending on affordable housing and infrastructure development

#### Increase/Decrease in magnitude of risk



#### Strategy Linkage

**S1 S2 S3 S4**

#### Capitals Impacted



### R2 Finance risk

#### Key risks

Potential risks associated with financing, transactions, credit and liquidity among other factors. The lack of liquidity may impact our targeted operational capacity/financial obligations. Inflation and interest rate fluctuations may affect financial results

#### MITIGATION STRATEGIES

##### Debt management

Repaying or refinancing high-interest loans to reduce the interest rate burden

##### Hedging

Utilising interest rate swaps for a portion of foreign loans, converting variable interest (SOFR) to fixed interest, providing stability

##### Financial monitoring

Proactively tracking and monitoring external events that could impact financial performance, allowing for early course correction, if necessary

#### KEY TRENDS

- RBI reduced Repo rate by 2% to 5.5% p.a. since February as inflation has remained within target range of 4% to 6% p.a.
- US Fed has slashed its key interest rate by 100 bps to - 4.5%

#### Increase/Decrease in magnitude of risk



#### Strategy Linkage

**S1 S2 S3**

#### Capitals Impacted



## R3 Operational risk

### Key risks

**Infrastructure & Logistics:** Any form of disruption in the transportation of goods and supplies, electricity grid, communication systems or any other public facility has the potential to impact normal business activities, in turn impacting financial conditions of the business. Such disruptions also result in increased costs to the company

### MITIGATION STRATEGIES

#### Logistics management

- A centralised logistics cell streamlines transportation by selecting the most economical mode for each situation
- A 24x7 centralised control tower monitors fleet movement across all plants, ensuring efficient despatch and delivery
- Industry-recognised digital tools optimise yard operations and manage truck movement within and outside the plant, minimising delays and maximising resource utilisation

#### Strategic budget allocation

Ensures our infrastructure keeps pace with current and anticipated production demands

#### Multi-modal transportation

Leveraging combining road and rail options, to optimise delivery times and minimise costs

### KEY TRENDS

- Focus on improving the logistics and reducing transportation costs
- Adoption of green logistics to reduce environmental footprint

#### Increase/Decrease in magnitude of risk



#### Strategy Linkage

**S3 S4 S5**

#### Capitals Impacted



## R4 Raw material risk

### Key risks

**Raw fuels and material:** The price and availability of raw fuels and materials may be adversely affected by factors beyond our control, with issues such as increased demand for raw materials, interruption in production by suppliers, change in supplier allocation, price and currency fluctuations, policy changes and transport costs, etc.

### MITIGATION STRATEGIES

#### Track commodity markets

Actively monitoring price fluctuations and trends in the raw material market to make informed purchasing decisions

#### Develop captive capacities

Expanding own facilities for key raw materials like slag and clinker to ensure a reliable and cost-effective supply

#### Broaden sourcing

Reducing dependence on a single supplier by continuously exploring and sourcing for a diverse supplier base

#### Strengthen supplier relationships

Fostering strong partnerships with our suppliers through open communication and collaboration, securing reliable supply and access to future market insights

#### Monitor government policies

Closely monitoring policy changes in sourcing countries that can impact raw material availability, allowing us to proactively adapt our strategies

#### Use of alternate fuel

Exploring and implementing the use of alternative fuels to lower blended fuel costs, reducing dependence on traditional fuel sources

### KEY TRENDS

- A shift towards a recycling-based society, heavily reliant on alternative/recycled materials and fuels

#### Increase/Decrease in magnitude of risk



#### Strategy Linkage

**S1 S3 S4**

#### Capitals Impacted





## R5 Talent/manpower risk

### Key risks

**Attract and retain desired talent/manpower:** Attracting and retaining employees with the requisite skillset and experience is critical to maintain current operations and future plans of expansions. While our labour relations are good, we cannot discount future disruptions due to disputes or other problems.

### MITIGATION STRATEGIES

#### Strong HR policies

Implementing fair and transparent hiring and talent management practices, ensuring a positive recruitment experience and fostering trust with potential employees

#### Competitive compensation

Offering attractive salaries and comprehensive benefits packages to attract and retain top talent

#### Performance management system

Recognising and rewarding top performers, valuable contributions and initiatives, motivating employees and promoting a culture of excellence.

#### Succession planning

Identifying and cultivating future leaders within the company for senior and middle management positions, ensuring a smooth transition and continued success. Succession Plan for all critical positions has been discussed in Talent Council Meeting.

#### Employee engagement

Project Unnati: This initiative addresses employee concerns and prevents attrition through targeted action plans, fostering a positive work environment

#### Employee stock ownership plans (ESOPs)

Offering ESOPs to provide employees with a stake in the company's success, aligning their interests with the company's growth

#### Leadership development

Future-Fit programmes: We collaborate with prestigious institutions to offer leadership development programmes that equip employees with the skills and knowledge needed for future roles within JSW Cement

#### Skill development

Online learning courses: We provide a wide range of online learning opportunities, allowing employees to continuously enhance their skillsets

Increase/Decrease in  
magnitude of risk



Strategy Linkage

**S1 S2 S4**

Capitals Impacted



### KEY TRENDS

- Adoption of digital technology, analytics and automation in human resource management



## R6 Sustainability risk

### Key risks

**Climate and Sustainability :** Cement manufacturing operations are associated with significant CO<sub>2</sub> emissions, dust, SO<sub>x</sub>, and NO<sub>x</sub> Pollutants, posing environmental risks. Ensuring robust health and safety measures is critical to mitigate risks to life, destruction of property, With new and more stringent environmental obligations pertaining to these aspects, it becomes pertinent for the company to ensure compliance. This may require additional capital expenditure or modifications in operating practices. This also may necessitate additional reporting obligations. There are also a few potential emerging risks pertaining to climate risks and water availability, not just to our current operations but to our proposed expansion projects. Thus, capacity expansion projects require adherence to new legal requirements

### MITIGATION STRATEGIES

#### Leadership commitment

Demonstrating strong commitment to safety and environmental stewardship through active participation and resource allocation for EHS initiatives. Conducting regular department-wide safety meetings to review safety protocols, discuss recent accidents and near misses and encourage continuous improvement

#### Safety as a Key Result Area (KRA)

Integrating safety performance as a key factor in evaluating employee and departmental performance, ensuring everyone prioritises safe work practices

#### Regulatory compliance

Monitoring and ensuring compliance with all applicable environmental and safety regulations. We are preparing ourselves to comply with new requirements such as carbon credit and trading scheme (CCTS).

#### TCFD Assessment

Conducted TCFD assessments to evaluate and address emerging climate-related risks and opportunities associated with our operations and also estimate financial impact (Details are given on this [link](#))

#### Continuous improvement

- Actively tracking evolving safety technologies and regulations to ensure our practices remain up-to-date

- Conducting safety training programmes, mock drills, and safety audits to equip employees to identify and address potential hazards
- Utilising camera systems in key areas to monitor operations and identify potential safety concerns

#### Employee well-being

Offering regular medical check-ups, on-site medical facilities and medical insurance coverage for employees and their families, promoting employee health

#### Contractor management

Conducting pre-qualification processes and technical assessments to ensure contractors meet our safety standards

#### Project safety

Regular safety audits at project sites are conducted to ensure adherence to safety protocols and identify areas for improvement

#### Sustainable products

Focussed on producing environmentally safe and sustainable products for our customers, minimising our environmental footprint

#### Transparent disclosure and reporting

Improved disclosure of information through various platforms such as CDP–Climate, CDP Water, ESG Profile on our website, along with public disclosures in the annual integrated report

#### Increase/Decrease in magnitude of risk



#### Strategy Linkage

**S1 S4**

#### Capitals Impacted



### KEY TRENDS

- Increasing demand for environmentally sound products with low GHG emissions
- The evolution of sustainability reporting with new guidelines/ frameworks enhancing transparency and trust



## R7 Cyber Security risk

### Key risks

Cyber security risk could result in substantial reputation and financial loss arising from:

1. Theft of corporate information
2. Theft of financial information (e.g. Financial results, bank details etc.)
3. Ransom ware – cyber extortion
4. Disruption to business

### MITIGATION STRATEGIES

All the Information technology management system conforms to ISO 27001:2013.

#### Controlling system vulnerability through:

- a) Vulnerability assessment and penetration testing for all public facing assets.
- b) Firewall hardening rule sets implemented.
- c) Firewall remediation tool deployed and improvements done in identified areas.

#### Breach assessment done with subject expert partners through: –

- a) Strengthening the cyber security posture; carried out self-assessment and continuous monitoring going on.
- b) Third-party view and peer comparison undertaken.

- c) Cyber security awareness programme conducted across all the locations in view of growing threats of cyberattacks due to increased online trades and transactions.
- d) Multifactor Authentication for Critical IT services (Remote VPN Access).
- e) Network Visibility and Access Control (NAC) Solution.
- f) Monitor threats and respond, investigate and remediate cyber security related incidents and data breaches.
- g) Subscribed to cyber insurance policy.
- h) Prevention mechanism for Distributed Denial of Services (DDoS).
- i) Endpoint Detection & Response (EDR) Solution deployed.

**Increase/Decrease in magnitude of risk**



**Strategy Linkage**

**S3 S4**

**Capitals Impacted**

