RISK MANAGEMENT POLICY

INTRODUCTION:

With the changing business environment and the growing diversification of Company, PI Industries Limited and its affiliates or joint ventures are exposed to various risks from operational, regulatory, financial and strategic perspectives. The Board of Directors is committed to fostering an environment within the company that enables proactive identification, assessing, management, monitoring, reporting of various risk and controls that the Company requires.

OBJECTIVE:

This Risk management policy document is created in furtherance of the Company's commitment towards building a culture of awareness acknowledgement and management of risks that can impact a business.

The Key objectives are to:

a) Better understand the company's risk profile:
b) Focus on Risks that are identified and reviewed to ensure mitigation controls in place.
c) Understand and better manage the uncertainties which can impact the Company's performance.
d) Contribute to safeguarding Company Value and interests of various stakeholders.
e) Ensure that business opportunities are identified and pursued without exposing the company to unacceptable levels of risks; and
f) Improve compliance with Corporate Governance guidelines, applicable laws and regulations.

SCOPE:

This policy is applicable to all employees, departments, business functions, locations, and projects related to the Company and its affiliates or joint ventures

POLICY STATEMENT:

1. The Board and Board- Constituted committees have the responsibility for risk oversight and governance. The Audit committee co-ordinates the risk oversight role exercised by various committees and management
2. The Risk Management Committee ("Committee") is responsible for ensuring effective rollout and implementation of Risk Management Processes, within the company.
3. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.
4. Risk identification is obligatory on all business and functional heads. They shall report the material risks to the Committee along with their considered views and recommendations for risk mitigation.
5. Analysis of all the risks: Mitigation Plans and Actions shall be placed before the board.

DEFINITIONS:

1. **Risk:** Any event (or non- event) that if occurs (or does not occur), can adversely affect the objectives and existence of the company. The risks may be internal or external to the company; may or may not be directly influenced by the company and may arise out of routine or non-routine actions of the company.

2. **Contributing Factors:** The casual drivers that affect either the likelihood of occurrence or severity of business impact attributed to any risk. These can typically be related to people. Process, technology or any external factors.
3. **Likelihood:** The probability of a task occurring over a predefined time period.
4. **Impact:** The extent to which the risk, if realised would affect the organisation. Impact may be financial, operational, reputational or legal/regulatory sanctions related.
5. **Risk management:** A coordinated set of management activities defined by the company to identify, assess, direct and control the risks attributed to the business.
6. **Risk Library:** A compilation of risks identified during the annual risk identification exercise. The risk library should be amended twice a year to include emerging risks, if any.
7. **Priority** Risks: Prioritized risks (Typically with significant impact and likelihood) that are derived from the risk library. Since these risks warrant more focus. The company is expected to document the mitigation strategy corresponding to these risks.
8. **Risk Appetite:** The aggregate amount of risk the company is willing to accept in pursuit of its mission, vision, business objectives and strategic goals. The risk appetite is based on industry wide experience, Company specific historical events impacting business operations, availability of budgetary resources, cash flow, liquidity and overall debt load.
9. **Risk Tolerance:** the boundaries on how much risk the company prepared to accept throughout the course of on-going operations. The risk tolerance must be approved by the managing director and the board.
10. **Risk mitigation plan:** Measures (existing and proposed) to mitigate, monitor and transfer the priority risks.
11. **Risk Owner:** person, department or entity with the accountability and authority to manage a risk.

CONSTITUTION OF THE COMMITTEE:

The Risk Management Committee (“Committee”) is a committee comprising majority of the members of the board of directors (“Board”) of PI Industries Limited (“Company”) from which it derives its authority and to which it shall report.

The Committee shall be responsible for ensuring the effective roll out and implementation of Risk Management process within the Company.

1. Constitution of the Committee:

1.1 The Board shall constitute the Committee from among its members and shall review the composition of the Committee every three (3) years). The Committee shall comprise of minimum five (5) members, majority of which shall be members of the Board including an Independent Director apart from the senior executives of the Company.

1.2 The Chairman of the Committee (“Chairman”) shall be appointed by the Board and must be a member of the Board, preferably a Managing Director.

1.3 The Committee may invite such other function head(s) as may be deemed necessary by the Committee to attend any meeting of the Committee, as special invitees.

1.4 The Committee will be supported by the Chief Risk Officer (‘CRO’) of the Company in discharging its duties and functions.

TERMS OF REFERENCE OF RISK MANAGEMENT COMMITTEE:

1. Meetings and Proceedings:

1.1 The Chief Risk Officer of the Company shall serve as the secretary to the Committee.

1.2 The Committee shall meet and review the Risk Management plans atleast twice in a year and shall have an authority to convene additional meetings as may be required by the Chairman.

1.3 Notice of each meeting setting out the date, time, venue and agenda shall be sent to each member of the Committee at least five (5) Business Days prior to the date of the meeting. The notice will include relevant supporting papers for the agenda items to be discussed, which should be relevant, clear, complete and concise.

1.4 For the purpose of these terms of reference, a “Business Day” shall mean a day, not being a Saturday, a Sunday or a national holiday in India. However, meeting may be called at a shorter notice with the approval of Chairman of the Committee.

1.5 The quorum for meetings shall comprise of two (2) members or one third of the members of the committee whichever is higher, but there should be minimum of two directors present, as required under Listing regulations.

1.6 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.

1.7 The minutes of the proceedings and resolutions of Committee meetings shall be maintained by the Chief Risk Officer/ Company Secretary. The minutes shall be circulated to all Committee members for their comments, if any.

1.8 Any member of the Committee may participate in a meeting by video/tele conference. A person so participating shall be deemed to be present at the meeting.

1.9 A person attending through video conference shall be counted in quorum for the meeting.

1.10 All decisions of the Committee shall be taken by a majority vote of the members present at the meeting of the Committee. The Chairman shall not have a casting vote.

1.11 Meetings of the Committee may be attended by other executives as per the invitation of the Committee.

1.12 The Chairman will brief the Board on the activities of the Committee on regular basis.

2. Role and Responsibilities:

2.1 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, Environment Social Governance 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.

d) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

e) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

f) To periodically review the risk management policy, at least once in two (2) years, including by considering the changing industry dynamics and evolving complexity;

g) To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;

h) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Committee.

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.

3. Powers:

3.1 To obtain advice from auditors or lawyers or experts, retain services of external consultants for redressing issues relating to and arising from risk management framework as it may deem appropriate and to secure their attendance.

3.2 To call for any information, documents, records from any officers of the company for ascertaining the adherence to the policies, procedures and standards laid for monitoring, evaluating and reporting of risks.

3.3 Approving additional resources

4. Reporting and Evaluation:

4.1 The Committee shall apprise the Audit Committee and Board on the risk profile of the Company atleast twice in every financial year.

5. Review & Authority:

5.1 The terms of reference of the Committee shall be reviewed by the Board after every three (3) years. In addition to this, as the risk exposure of any business may undergo change from time to time due to changing evolving regulatory, completive and complex ecosystem wherein Company operates, the updation and review of this Policy wil be done as and when required, but the Committee to ensure it meets the statutory requirements and the needs of the Company.

5.2 As and when any Regulations (defined below) are amended or modified, they shall apply to the Policy automatically. .

5.3 In the event of any conflict between the SEBI Listing Regulations, the prevailing and applicable laws or rules, or any other statutory enactments (collectively referred as to 'Regulations') and the provisions of this Policy, the Regulations shall prevail over this Policy.

PROCEDURE:

1. Risk Identification

a) The risk assessment exercise starts with understanding the potential risks that may restrict the Company to meet its annual plans and business objectives.

b) Existing audit reports, management notes and risk libraries may serve as baseline for this exercise.

c) The risk assessment exercise shall be carried out by the Committee with the Senior Management and Head of Departments in order to identify the list of risks that require management attention and monitoring.

d) This risk library shall be revisited on an annual basis by the Committee to identify new risk event that can adversely impact business objectives.

e) Following risks are generally faced by the Industry in which the company operates:

- **Climate conditions:** Risks relating to inherent characteristics of the industry such as rainfall, weather conditions such as droughts, floods etc. leading to demand fluctuation and industry downturn (acute & chronic physical), current & emerging regulations related to 'Climate Change'.
- **Regulatory:** Risks related to inadequate compliance or non-compliance arising out of failure to address changes in government policies from time to time.
- **Foreign Exchange:** Risks relating to fluctuations in the foreign currency that can severely hamper the profits of the Company.
- **Competition:** Risks arising out of competitive forces in the market that can affect profitability.
- **Inputs:** Risks arising out of non-availability/ higher costs of some key inputs and raw materials which can affect productions plans.
- **Geography:** Risks relating to excessive dependence on one or two geographies, which can impact revenues in case of localized downturn.

- **R&D:** Risks relating to the immunity developed against company's products by insects/pests and innovative products are not introduced to counter such immunity. Also, risk of R&D projects becoming infructuous.
- **Environment, Health & Safety:** Risks relating to inadequate /non-adherence to environmental, health and safety measures.
- **Receivables:** Risks relating to high receivables at certain times of seasons, impacting the working capital negatively.
- **Cyber and information security risks.**

2. Risk Prioritization

a) The risks identified during risk assessment exercise are mapped on the criteria of Risk Appetite, Risk Tolerance, Risk Impact and Risk Rating as defined for the Company. Once the risks have been prioritized, a list of key risks called the 'Priority Risks' is identified.

b) The risks where the impact cannot be quantified may still be part of Priority Risks, if the impact of the risk is perceived as severe.

3. Risk Mitigation

a) The Committee needs to ensure that a formal mitigation strategy is prepared and reviewed for Priority Risks.

b) The risk owners shall have the responsibility to ensure implementation of the risk mitigation plans.

4. Risk Monitoring and Reporting

a) CRO shall submit a formal report on Priority Risks, Risk mitigation controls and actions to the Committee.

b) The Committee shall review the same and provide its inputs for reporting twice a year to the Board.

c) The summary of the Risk Report shall be included in the half yearly and annual submissions made by the Committee to the Board.

d) Summary by risk type and responsibility is defined in Annexure1.

5. Limitations

The Risk Management Framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgments in decision-making and violations of legislation and regulations.

Annexure 1
Illustrative List of Risks overseen by the Board & Board Constituted Committees*

Risk Nature	Risk Type	Board / Committee
Strategic	Portfolio choices & execution	Board
	Mergers & Acquisitions	Board
	JVs, Strategic Alliances	Board
	Capital investment choices & execution	Board
	External environment- economic, geo-political, industry	Board
	Investor Relations	Board
Operations	Manufacturing & Technology, Quality Management	Board
	Talent, bench strength, management succession	NRC
	Environmental, health & safety	Board
	BCM & Crisis Management	Board
	Labor Relations	AC
Financial	Financial reporting, internal controls	AC
	Tax planning & compliance	AC
	Capital, liquidity, financing	AC
	Event related financial impact	AC
	FX and insurance	AC
Compliance & Governance	Corporate Governance, Ethical conduct	Multiple
	Legal & Compliance	AC
	Regulatory, Duties & Taxes, Customs	AC
	IP	AC
	Statutory Reporting	AC
Information Technology	Information Technology and IT systems Cyber Security	AC

AC : Audit Committee
NRC : Nomination & Remuneration Committee

*This is not an exhaustive list