PI Industries Limited

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Supersedes: **Version 4.0: 20th March 2025**
Version 3.0: 19th April 2023
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RISK MANAGEMENT POLICY

INTRODUCTION:

With the changing business environment and the growing diversification of the Company, PI Industries Limited and its subsidiaries, 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, assessment, management, monitoring, reporting of various risk and controls that the Company requires.

OBJECTIVES:

Risk Management Policy 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:

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 manage the uncertainties that can impact the company's performance.
d) Contribute to safeguarding the company's value and interests of various stakeholders.

e) Ensure that business opportunities are identified and pursued without exposing the company to unacceptable levels of risk.

f) Improve compliance with corporate governance guidelines, applicable laws, and regulations.

g) To integrate material sustainability risks, including climate change, biodiversity, water stewardship, waste circularity, human capital, health and safety, responsible business conduct, cybersecurity and supply chain risks, into the enterprise risk management framework.

SCOPE:

This policy is applicable to all employees, departments, business functions, locations, and projects related to the Company and its subsidiaries, affiliates or joint ventures. Company's subsidiaries, affiliates or joint ventures shall establish the respective risk frameworks in reference to this Policy.

POLICY STATEMENT:

1. The Board and Board-Constituted Committees have the responsibility for risk oversight and governance.
2. The Risk Management Committee ("Committee") is responsible for ensuring effective rollout and implementation of Risk Management Framework, within the company.
3. The Risk Management Committee shall periodically review material sustainability-related risks, emerging sustainability risks and associated mitigation measures as part of its risk oversight responsibilities. Communication of Risk Management Framework including the strategy to various levels of management for effective implementation is essential.
4. Risk identification is obligatory for all business, department and functional heads ('internal stakeholders'). These internal stakeholders shall report

the material risks to the Committee along with their considered views and recommendations for risk mitigation. Post analysis of all the risks, mitigation plans and the related actions shall be placed before the Board by the Committee.

DEFINITIONS:

1. **Risk:** Any event (or non-event) that 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 realized, would affect the organization. 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:** Compilation of risk identified during the half-year and the annual risk identification exercise. The risk library should be amended twice a year to include emerging risk, 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 is prepared to accept throughout the course of on-going operations. 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 priority risks.
11. **Risk Owner:** Officer of the Company with accountability to implement the risk mitigation plan under the guidance of Risk Champion Please refer to Annexure I for more information.
12. **Risk Champion:** Officer leading the position of head of the department or the business unit with accountability and authority to identify, analyze, report, monitor, or manage a risk. Please refer to Annexure I for more information.

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 to identify the list of risks that require management attention and monitoring.

d) This risk library shall be revisited on a bi-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 the 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, the 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 the season, impacting the working capital negatively.
- **Cyber and information security risks:** Risks arising from cyberattacks, data breaches, unauthorized access, disruption of critical systems, and non-compliance with information security, privacy and data protection requirements.

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 Champions shall have the responsibility to ensure implementation of the risk mitigation plans with the support of Risk Owners.

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) Material sustainability-related risks shall be included in the Company's

periodic risk reporting process.

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

e) Summary by risk type and responsibility is defined in Annexure II.

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.

INTEGRATION WITH PERFORMANCE:

The organization commits to integrating Key Performance Indicators (KPIs) into this Risk Management Policy to ensure a cohesive approach to performance and risk management. This integration will align risk mitigation efforts with performance monitoring, ensuring that the organization can achieve its strategic objectives while maintaining an acceptable risk level.

TRAINING AND AWARENESS:

1. In order to disseminate awareness of this Policy, all the employees and the officers shall be informed of the same through publishing the Policy on the website of the Company.

2. The Chief Risk Officer, if appointed shall ensure that periodic training is conducted with respect to the Risk Management Framework including the Policy and various areas related to the subject for all the concerned officers, and employees.

Narayan K Seshadri
Chairperson

Place: Mumbai
Date: August 11, 2026

ANNEXURE I

Risk management structure, roles and responsibilities

Members	Meeting cadence	Roles and responsibilities
▪ Headed by a Board Member ▪ VD & MD ▪ One Independent Director ▪ Chief Risk Office and CFO **By Invitation** ▪ Key Function Heads	▪ Twice a year	▪ Approve risk management framework and policy. ▪ Monitor ERM process including actions taken by the management for mitigating risks. ▪ Provide necessary inputs and support to the function heads in performing risk management activities. ▪ Oversee compliance to laws and regulations.
▪ Chief Risk Officer (Secretary)	▪ Quarterly / twice a year	▪ Ensure ERM processes are in line with directions of the RMC and approved framework. ▪ Establish procedures and timelines for various risk management activities. ▪ Review risk registers and monitor progress of implementation of mitigation plans for significant risks and report to RMC.
▪ Respective Functional / Business Heads	▪ Monthly	▪ Primary responsibility for identifying, assessing and managing risks applicable to their functions. ▪ Check status of mitigation plans and their effectiveness. ▪ Implement additional measures to reduce risk exposures to an acceptable level.
▪ Risk / Process owner nominated as risk champions reporting to functional heads	▪ Monthly	▪ Take overall responsibility for managing individual risks in line with ERM framework. ▪ Implement risk mitigation plans and provide periodic reports to the Function Heads.

Annexure II

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
	Sustainability Risks	Board
Operations	Manufacturing & Technology, Quality Management	Board
	Talent, bench strength, management succession	NRC
	Environmental, health & safety	Board
	BCM & Crisis Management	Board
	Labor Relations	AC / Board
Financial	Financial reporting, internal controls	AC / Board
	Tax planning & compliance	AC / Board
	Capital, liquidity, financing	AC / Board
	Event related financial impact	AC / Board
	FX and insurance	AC / Board
Compliance &	Corporate Governance, Ethical conduct	Multiple
	Legal & Compliance	AC / Board
	Regulatory, Duties & Taxes, Customs	AC / Board
	IP	AC / Board

Governance	Statutory Reporting	AC / Board
Information Technology	Information Technology and IT systems Cyber Security	AC / Board

AC : Audit Committee
NRC : Nomination & Remuneration Committee

*This is not an exhaustive list

Sd/-
Narayan K Seshadri
Chairperson

Date: August 11, 2026
Place: Mumbai