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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 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.

### OBJECTIVE:

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; 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. Company's 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. 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.

**TERMS OF RISK MANAGEMENT COMMITTEE:**

To promote an effective risk culture, the company has adopted risk management processes and strategies, the company has adopted risk management framework and constituted a 'risk management committee' at the level of the highest governing body consisting of independent and/or non-executive board member(s).

**1. Constitution of the Committee:**

The Risk Management Committee ("Committee") is a committee comprising the 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 the risk management process within the Company.

- a) The Board shall constitute the Committee from among its members and shall review the composition of the Committee every two (2) years. The Committee shall comprise of a minimum of three (3) members, the majority of which shall be members of the Board including an Independent Director apart from the senior executives of the company.

- b) The chairperson of the Committee ("Chairperson") shall be appointed by the Board and must be a member of the Board, preferably a Managing Director.
- c) The Committee may invite other department head(s) as may be deemed necessary by the Committee to attend any meeting of the Committee, as special invitees.
- d) The Committee will be supported by the Chief Risk Officer ('CRO') of the Company in discharging its duties and functions.

## **2. Meetings and Proceedings:**

- a) The Chief Risk Officer of the company shall serve as the Secretary to the Committee.
- b) The Committee shall meet and review the Risk Management plans atleast twice in a financial year and shall have an authority to convene additional meetings as may be required by the Chairperson.
- c) Notice of each meeting setting out the date, time, venue and agenda shall be sent to each member of the Committee at least seven (7) 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.
- d) For the purpose of these terms of reference, a "Business Day" shall mean a day, not being a Saturday, Sunday or a national holiday in India. However, meetings may be called at a shorter notice with the approval of the Chairperson of the Committee. A meeting may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting.
- e) The quorum for meetings shall comprise two (2) members or one third of the members of the Committee whichever is higher, but there should be a minimum of one member of the board of directors present, as required under listing regulations.
- f) The meetings of the Committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days (210 days) shall elapse between any two consecutive meetings or as per the statutory timelines mandated under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) or any other governing and prevailing laws or regulations.
- g) The minutes of the proceedings and resolutions of committee meetings shall be documented and maintained by Company Secretary, post approval by the Chief Risk Officer and the Committee. The minutes shall be circulated to all committee members for their comments, reference and records, if any.
- h) Committee members may join meetings through video or teleconference, and those participating in this way will be regarded as present.
- i) All decisions of the committee shall be taken by a majority vote of the members present at the meeting of the Committee. The Chairperson shall not have a casting vote.
- j) Meetings of the committee may be attended by other executives as per the invitation of the committee.
- k) The Chairperson will brief the Board on the activities of the committee on regular basis.

## **2. Role and Responsibilities of Committee:**

- a) To formulate a detailed risk management policy which shall include:
  - i. A framework for identification of internal and external risks specifically faced by the listed entity and its affiliates, including financial, operational, sectoral, sustainability (particularly, Environment Social Governance related risks), information, cyber security risks, cyber security governance, IT security or any other risk as may be determined by the committee.
  - ii. Measures for risk mitigation including systems and processes for internal control of identified risks.
  - iii. Business continuity plan.
  - iv. Documented roles and responsibilities of business heads and Chief Risk Officer.
- b) To ensure that appropriate methodology, processes, and systems are in place to monitor and evaluate risks associated with the business of the company.
- c) To monitor and oversee implementation of the risk management policy including evaluation of the adequacy of risk management systems.

- d) To periodical review the risk management policy, at least once in two (2) years, including by considering the changing industry dynamics and evolving complexity.
- e) To keep the Board informed about the nature and content of its discussions, recommendations, and actions to be taken.
- f) 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 the activities of such committees, as per the framework laid down by the Board.

### 3. Powers:

- a) 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.
- b) 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.
- c) Approving additional resources.

### 4. Reporting and Evaluation:

- a) The Committee shall apprise the Board on the risk profile of the Company atleast twice in every financial year.

### 5. Review & Authority:

- a) The terms of reference of the Committee shall be reviewed by the Board after every two (2) years or as and when any regulations (defined below) are amended or modified, they shall apply to the policy automatically. In addition to this, as the risk exposure of any business may undergo change from time to time due to changing and evolving regulatory, competitive, and complex ecosystem wherein company operates, the update and review of this Policy will be done as and when required, but the Committee to ensure, it meets the statutory requirements and the needs of the Company.
- b) 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 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.**

## 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) 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 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

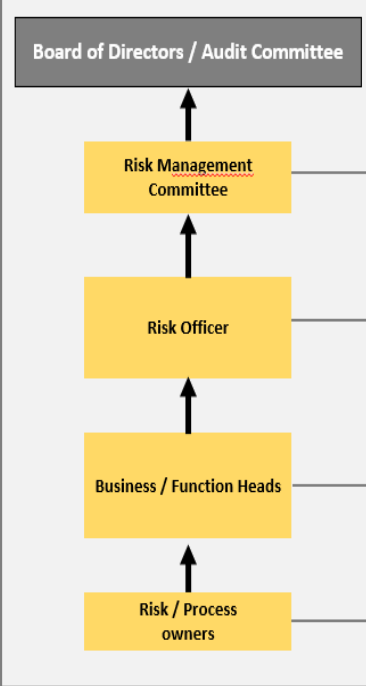
1. In order to disseminate awareness of this Policy, all the employees and the officers shall be informed of the same through publishing the Policy on the website of the Company.
2. The Chief Risk Officer shall ensure that periodic training is conducted with respect to the Risk Management Framework including the Policy and various areas related to the subject for all the concerned officers, and employees.

**Narayan K Seshadri**  
**Chairperson**

Place: Mumbai

Date: 20<sup>th</sup> March, 2025

**ANNEXURE I**  
**Risk management structure, roles and responsibilities**

Board of Directors / Audit Committee	Members	Meeting cadence	Roles and responsibilities
 <b>Risk Management Committee</b>	<ul style="list-style-type: none"> <li>Headed by a Board Member</li> <li>VD &amp; MD</li> <li>One Independent Director</li> <li>Chief Risk Office and CFO</li> <li>By Invitation</li> <li>Key Function Heads</li> </ul>	<ul style="list-style-type: none"> <li>Twice a year</li> </ul>	<ul style="list-style-type: none"> <li>Approve risk management framework and policy.</li> <li>Monitor ERM process including actions taken by the management for mitigating risks.</li> <li>Provide necessary inputs and support to the function heads in performing risk management activities.</li> <li>Oversee compliance to laws and regulations.</li> </ul>
<b>Risk Officer</b>	<ul style="list-style-type: none"> <li>Chief Risk Officer (Secretary)</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly / twice a year</li> </ul>	<ul style="list-style-type: none"> <li>Ensure ERM processes are in line with directions of the RMC and approved framework.</li> <li>Establish procedures and timelines for various risk management activities.</li> <li>Review risk registers and monitor progress of implementation of mitigation plans for significant risks and report to RMC.</li> </ul>
<b>Business / Function Heads</b>	<ul style="list-style-type: none"> <li>Respective Functional / Business Heads</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> </ul>	<ul style="list-style-type: none"> <li>Primary responsibility for identifying, assessing and managing risks applicable to their functions.</li> <li>Check status of mitigation plans and their effectiveness.</li> <li>Implement additional measures to reduce risk exposures to an acceptable level.</li> </ul>
<b>Risk / Process owners</b>	<ul style="list-style-type: none"> <li>Risk / Process owner nominated as risk champions reporting to functional heads</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> </ul>	<ul style="list-style-type: none"> <li>Take overall responsibility for managing individual risks in line with ERM framework.</li> <li>Implement risk mitigation plans and provide periodic reports to the Function Heads.</li> </ul>

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

<b>Risk Nature</b>	<b>Risk Type</b>	<b>Board / Committee</b>
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 / 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 & Governance	Corporate Governance, Ethical conduct	Multiple
	Legal & Compliance	AC / Board
	Regulatory, Duties & Taxes, Customs	AC / Board
	IP	AC / Board
	Statutory Reporting	AC / Board
Information Technology	Information Technology and IT systems	AC / Board
	Cyber Security	

AC : Audit Committee

NRC : Nomination & Remuneration Committee

\*This is not an exhaustive list