



## **INSECTICIDES (INDIA) LIMITED**

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<b>Document Title</b>	<b>Risk Management Policy</b>
<b>Document Number</b>	<b>P5(i)</b>
<b>Approval Authority / Date</b>	<b>Board of Director and/or Risk Management Committee</b>
<b>Applicable from</b>	<b>18/06/2021</b>

## **RISK MANAGEMENT POLICY**

### **1. Short title, applicability and objective**

- (i) This policy may be called the Risk Management Policy of Insecticides (India) Limited (“Company”) and framed in accordance with the requirement of Companies Act, 2013 (“Act”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR or Listing Regulations).
- (ii) This policy shall come into force from the June 18, 2021 and applicable to all the entities of the Insecticides (India) Limited
- (iii) This policy aims to establish a systematic approach for assessing and mitigating risks across financial, operational, and project-related domains promptly. It outlines overarching risk management principles to convey management's expectations regarding risk management practices. Main objectives of the Policy are:
  - a) To formulate the framework for identification of internal and external risks specifically faced by the Company, 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) To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management;
  - c) To outline the risk management practices in the market and the basis on which company should protect itself against unfavorable foreign currency and interest rate movements
  - d) To protect brand value through strategic control and operational policies;
  - e) To Formulate the framework for Business Continuity Plan
  - f) To ensure systematic and uniform assessment of risks related with different projects of the Company;
  - g) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

### **2. Review and recommendation**

The Risk Management Committee of the Company shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network. The head of Departments (HOD) shall be responsible for risk Assessment and implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and/or Risk Management Committee and/or Audit Committee.

### 3. Risk Assessment

The process of Risk Assessment shall cover the following:

- (i) **Risk Identification and Categorisation** – the process of identifying the company's exposure to uncertainty classified as Strategic / Business / Operational.

The Company faces constant pressure from the evolving marketplace that impacts important issues in risk management and threatens profit margins. The business is exposed to several kinds of risk from time to time which include the following:

- (a) **Strategic Risks:** These risks concern risks relating to the flux and movement of money and capital in the Company. This will include cash flow management, investment evaluation and credit default. These risks emanate out of the choices, the Company makes in the markets, resources and delivery of services.
- (b) **Industry and Competition Risks:** Risks relating to the agro chemicals industry, including competition in the industry, technological landscape, risks arising out of volatility manufacturing industry, and those relating to brands of the Company.
- (c) **Risk of Theft, Pilferage and Non-Delivery:** Risks relating to theft or pilferage when the goods manufactured are failed to be delivered to the buyers. The risk of Non-delivery concerns a situation where the whole cargo is not delivered to the consignee.
- (d) **Risk of Clash and Breakage:** The risk of clash and breakage is mainly referred to the risks associated with the manufacturing output caused due to quiver, bump, squeezing, lacquer desquamation, nick and so on, in transit. Fragmentation is mainly referred to fragile substances and includes loss including breaching and smash in transit due to careless loading and unloading and bumping of conveyance, and may also occur during warehousing.

- (e) **Operational Risks:** Most common, and often combatable in all situations, these risks related to business operations such as those relating to determination, identification and procurement of vendors, services delivery to vendors, security and surveillance, and business activity disruptions.
- (f) **Currency Risk:** The Company having exposures on account of exports, imports, income and expenditure in one or more foreign currencies is affected by currency movements, interest rate movements, etc. This often implies a degree of uncertainty in terms of the effect on financial results and the company's ability to execute transactions on future dates.
- (g) **Resource Risk:** The Company may at times, become susceptible to various risks associated with the procurement of talent, capital and infrastructure, as may be specific to the industry.
- (h) **Risks relating to regulatory and compliance framework:** Risks due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigations and related costs and effect on brand value and image.

Due to the constant changes in the issues affecting the business, there is always a need for proactive solutions for risk prevention and management. A comprehensive risk policy covering the broadest spectrum of potential risks will provide the most protection.

- (ii) **Risk Description** – the method of systematically capturing and recording the company's identified risks in a structured format

A risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures. Risk descriptions for each of the risks identified in the Risk Matrix are to be documented and recorded in a structured format in each area where the risk is identified. The suggested format is provided below:

1	Name of Risk	Short description by which the risk may be referred to
2	Scope of Risk	Qualitative description of the events by which the occurrence of the risk may be identified, any

		measurement indicating the size, type, number of the events and their related dependencies
3	Nature of Risk	Strategic/ Business/ Operational
4	Stakeholders	List of stakeholders affected and impact on their expectations
5	Quantification of Risk	Cost of impact, if risk materialises
6	Risk Tolerance and Trigger	<ul style="list-style-type: none"> <li>• Loss potential and financial impact of risk on the business</li> <li>• Value at Risk</li> <li>• Probability of occurrence and size of potential losses</li> <li>• Objective(s) for control of the risk and desired level of performance</li> <li>• to assimilate Risk Trigger</li> </ul>
7	Risk Treatment & Control Mechanisms	<ul style="list-style-type: none"> <li>• Primary means by which the risk is currently being managed</li> <li>• Levels of confidence in existing control system</li> <li>• Identification of protocols for monitoring and review of the process of treatment and control</li> </ul>
8	Potential Action for Improvement	Recommendations to reduce the occurrence and/or quantum of adverse impact of the risk
9	Strategy and Policy Developments	Identification of function responsible for developing the strategy and policy for monitoring, control and mitigation of the risk

**(iii) Risk Estimation** – the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach. In this process, the consequences of the risk occurrences have to be quantified to the maximum extent possible, using quantitative, semi-quantitative or qualitative techniques

Process of risk quantification for the company has to be qualitative, supported by quantitative impact analysis. To apply this approach, the chain of adverse consequences, which may occur in case the identified risk materialises, should be enlisted. For each of the adverse consequences, the cost impact needs to be calculated and attributed to the particular risk. In such an exercise, actual cost impacts (like claims by contractor, loss of equipment value, etc) as well as opportunity costs (like loss in realisation of revenue, delay in commission of project etc) must be captured to arrive at the total cost impact of materialisation of the risk.

**Flow of Risk Estimation:**

- Step One: Risk Trigger** (Trigger Indicating Risk Event)
- Step Two: Risk Occurrence** (Risk)
- Step Three: Adverse Consequence A1**
- Adverse Consequence A2**
- Adverse Consequence A3**

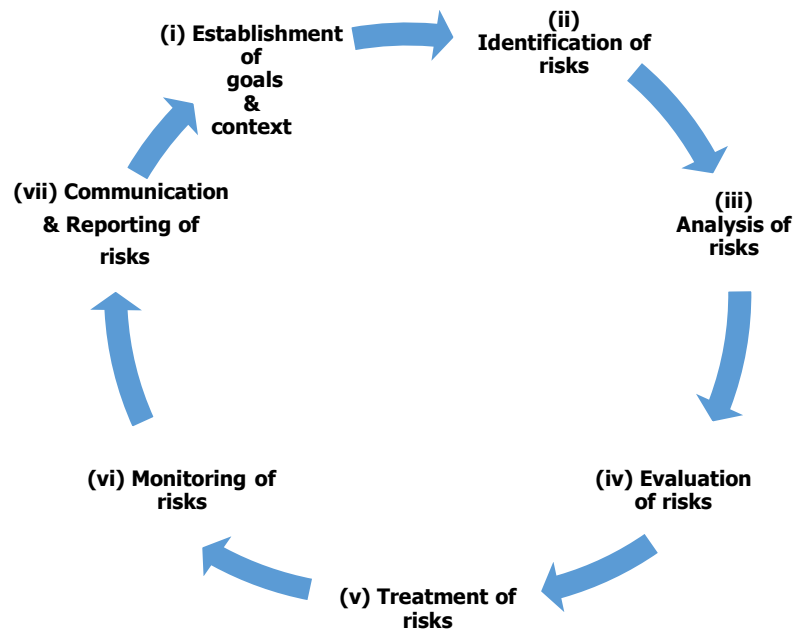
*(Execution note: Risk Manager shall identify the Risk Trigger, then prepare the estimate the occurrence of event on quarterly basis and its adverse impact over the company’s business)*

**Consequence of Risk shall be rated as follows:**

Rating 4 (Severe)	<ul style="list-style-type: none"> <li>• Significant stakeholder concern</li> <li>• Significant impact on strategy or operational activities</li> <li>• Cost of impact is likely to exceed Rs. 10 Crores p.a.</li> </ul>
Rating 3 (Major)	<ul style="list-style-type: none"> <li>• Major stakeholder concern</li> <li>• Major impact on strategy or operational activities</li> <li>• Cost of impact is likely to be between Rs. 5~10 Crores p.a.</li> </ul>
Rating 2 (Tolerable)	<ul style="list-style-type: none"> <li>• Moderate stakeholder concern</li> <li>• Moderate impact on strategy or operational activities</li> <li>• Cost of impact is likely to be between Rs. 1~5 Crores p.a.</li> </ul>
Rating 1 (Minor)	<ul style="list-style-type: none"> <li>• Minor stakeholder concern</li> <li>• Minor impact on strategy or operational activities</li> </ul>

	<ul style="list-style-type: none"> <li>• Cost of impact is likely to be less than Rs. ~1 Crores p.a</li> </ul>
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#### 4. Risk Management Process



**(i) Establishment of goals & context**

The purpose of this stage is to understand the environment in which the Company operates, keeping in view its external environment, as well as, internal culture. For this, the Company shall establish its strategic, organizational and risk management context and identify the constraints and opportunities of its operating environment.

**(ii) Identification of Risks**

Periodic assessment to identify significant risks for the Company and prioritizing the risks for action is an important aspect of this Policy. Mechanisms for identification and prioritization of risks include risk survey, scanning of the environment of risks, discussions about the risks and threats to the Company. A risks register shall also be maintained, and internal audit findings shall include pointers for risk identification.

Key questions that may assist identification of risks include:

- ✓ To achieve its goals, the Company shall determine when, where, why, and how are risks likely to occur?
- ✓ What are the risks associated with achieving each goal?
- ✓ What are the risks of not achieving these goals?
- ✓ Who are involved (for example, suppliers, contractors, stakeholders) in the creation, as well as combating of the same?

The appropriate risk identification method will depend on the application area (i.e. nature of activities and the hazard groups), the nature of the project, the project phase, resources available, regulatory requirements and client requirements as to objectives, desired outcome and the required level of detail.

**(iii) Analysis of Risks**

Risk analysis involves the consideration of the source of risk, the consequence and likelihood of the risks to estimate the inherent or unprotected risk without controls in place. It also involves identification of the controls, an estimation of their effectiveness and the resultant level of risk with controls in place (the protected, residual or controlled risk). Qualitative, semi-quantitative and quantitative techniques are all acceptable analysis techniques depending on the risk, the purpose of the analysis and the information and data available.

**(iv) Evaluation of Risks**

Once the risks have been analyzed they can be compared against the previously documented and approved tolerable risk criteria.

The decision of whether a risk is acceptable or not is taken by the relevant manager. A risk may be considered acceptable if for example:

- The risk is sufficiently low that treatment is not considered cost effective, or



- A treatment is not available, e.g. a project terminated by a change of government, or
- A sufficient opportunity exists that outweighs the perceived level of threat.

If the manager determines the level of risk to be acceptable, the risk may be accepted with no further treatment beyond the current controls. Acceptable risks should be monitored and periodically reviewed to ensure they remain acceptable. The level of acceptability can be organizational criteria or safety goals set by the authorities.

**(v) Treatment of Risks**

For top risks, dashboards shall be created to track external and internal indicators relevant for risks, so as to indicate the risk level. The trend line assessment of top risks, analysis of exposure and potential impact shall be carried out. Mitigation plans shall be finalized, owners identified, and progress of mitigation actions shall be regularly and periodically monitored and reviewed. Treatment options which are not necessarily mutually exclusive or appropriate in all circumstances shall be driven by outcomes that include:

- Avoiding the risk,
- Reducing (mitigating) the risk,
- Transferring (sharing) the risk, and
- Retaining (accepting) the risk.

**(vi) Monitoring of Risks**

It is important to understand that the concept of risk is dynamic and needs periodic and formal review. The currency of identified risks needs to be regularly monitored. New risks and their impact on the Company may to be taken into account. This step requires the description of how the outcomes of the treatment will be measured. Milestones or benchmarks for success and warning signs for failure need to be identified.

The review period is determined by the operating environment (including legislation), but as a general rule a comprehensive review every three years is an accepted industry norm. This is on the basis that all changes are subject to an appropriate change process including risk assessment. The review needs to validate that the risk management process and the documentation is still valid. The review also needs to consider the current regulatory environment and industry practices which may have changed significantly in the intervening period.

The assumptions made in the previous risk assessment (hazards, likelihood and consequence), the effectiveness of controls and the associated management system as well as people need to be monitored on an on-going basis to ensure risk are in fact controlled to the underlying criteria.

For an efficient risk control, the analysis of risk interactions is necessary. This ensures that the influences of one risk to another is identified and assessed. A framework needs to be in place that enables responsible officers to report on the following aspects of risk and its impact on the Company's operations:

- What are the key risks?
- How are they being managed?
- Are the treatment strategies effective? – If not, what else must be undertaken?
- Are there any new risks and what the implications for the organization are?

**(vii) Communicating and Reporting**

Risk Management is a continuous process applicable to all functions. Corporate level Committee (Risk Assessment Committee) would review identified risk and mitigation action taken on quarterly basis before submission of report in the matter to Risk Management Committee.

Entity level risks such as project risks, account level risks shall be reported to and discussed at appropriate levels of the Company. Clear communication is essential for the risk management process, i.e. clear communication of the objectives, the risk

management process and its elements, as well as the findings and required actions as a result of the output.

## **5. Risk Management Committee**

### **(i) Constitution**

Pursuant to the rules and regulations framed in accordance with the requirement of Companies Act, 2013 (“Act”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR or Listing Regulations), the Board of Directors shall constitute the Risk Management Committee (RMC). The Members of RMC shall be appointed by the Board of Directors of the Company which must consist of minimum three members with majority of them being members of the board of directors, including at least one independent director.

### **(ii) Frequency and quorum of Risk Management Committee**

- (a) The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings.
- (b) The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

### **(iii) Power, Duties and responsibilities of Risk Management Committee**

The Risk Management Committee will undertake the following to ensure that the risks in the Company are managed appropriately:

- The Risk Management Committee shall be responsible for framing, implementing and monitoring the risk management plan for the Company;
- The Risk Management Committee shall ensure that appropriate systems for risk management are in place;

- The Risk Management Committee shall ensure allocation of priorities and resources in addressing risks;
- The independent directors of the Company shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- The Risk Management Committee shall actively participate in major decisions affecting the Company's risk profile;
- The Risk Management Committee and/or Board may constitute any committees to ensure that risks are adequately managed and resolved where possible;
- The Risk Management Committee and/or Board may deploy mechanisms to monitor compliance with the Policy.

The Chief Financial Officer will gather and review information and data, be thorough in assessments, seek independent or expert advice where appropriate and provide direction and guidance to the Risk Management Committee and/or Board of Directors in terms of decision-making.

In fulfilling the duties of risk management, the Chief Financial Officer may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the approval of the Board.

#### **6. Risk Registration, treatment & reporting**

The head of the department should make the risk registers in which the managers to record, the risk description, an assessment of that risk, the responsible officer for managing that risk & treatment plans.

This information provides a useful tool for managers & staff to consider in both strategic & operational planning & the register will be available to managers & staff.

The Board of the Company will monitor the risk profile of the organization with particular regard to those risks that exceed an acceptable risk level.

The management of risk will be integrated into organization's existing planning & operational processes & will be recognized in the funding & quarterly reporting mechanisms, on the basis of the evaluation of the level of risk & organization's exposure.

**7. Review**

This Policy will be the guiding document of risk management and shall be reviewed as and when required due to the changes in the risk management regulations/ standards/ best practices as appropriate. This Policy shall be reviewed once in every two years according to the applicable laws and its provisions.

**List of Amendments**

<i>Approval and Amended By</i>	<i>Meeting date</i>
<i>BOD</i>	<i>12/11/2021</i>
<i>Board of Directors and Risk Management Committee</i>	<i>09/08/2024</i>