



**INDIA PESTICIDES LIMITED**

# Risk Management

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## Policy

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## Document Control Log

<b>Title</b>	<b>Risk Management Policy</b>		
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02	01a	<ol style="list-style-type: none"> <li>1. Page 5: Point 6. Execution of Risk Management - Inclusion of sentence, "IPL's Risk Management Committee will administer the efficient and effective risk management procedures within the company."</li> <li>2. Page 6: Inclusion of Annexure contains Mitigation Measures. (prepared through discussion with senior management) - as suggested by Risk Management Committee.</li> <li>3. Page 7: Point 11. Review has been changed as point 12 in 8th page.</li> <li>4. Page 7: Inclusion of Point 11. Roles of Risk Management Committee (as per SEBI Regulations, 2021 w.e.f. 5.5.2021)</li> <li>5. Page 8: Point 12. Review: Inclusion of, "This Policy shall be reviewed at least once in two years, including by considering the changing industry dynamics and evolving complexity to ensure that requirements of legislation and the needs of organization are met." (as per SEBI Regulations, 2021 w.e.f. 5.5.2021)</li> <li>6. Page 8: Point 13. Inclusion of Meeting Regimen.</li> <li>7. Page 9: Inclusion of Annexure file as Point 16.</li> </ol>	20 <sup>th</sup> Sep'21	Ramakrishnan Subramoniam Quality Assurance Manager	Board / Committee

## 1. INTRODUCTION

India Pesticides Limited (“IPL” or “**the Company**”) manufactures and market agro-chemical products – both technical and formulations – both in India and few other countries. The business activities of the Company carry various internal and external risks.

RISK	RISK MANAGEMENT
<p>Precisely defined as the effect of improbability on achieving objectives. Risk is measured in terms of consequences and likelihood. Risks can be either internal or external or both and are inherent in all administrative and business activities.</p>	<p>Formal and systematic approach to manage risks, which provides a system for the setting of priorities when there are competing demands on limited resources.</p>
RISK ASSESSMENT	RISK MANAGEMENT PROCESS
<p>Systematic process of identifying and analysing risks through studying of threats, vulnerability and resultant exposure to various risks.</p>	<p>Systematic usage of management policies, procedures and practices to establish the situation for timely identification of expected risks, its analysis, evaluation, treatment, monitoring and pro-active communication.</p>

## 2. PURPOSE AND SCOPE OF THE POLICY

This Risk Management Policy (“**Policy**”) is to safeguard sustainable business growth with stability and to promote a *pro-active approach in reporting, evaluating and resolving risks associated with the Company’s business*. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The definite objectives of this Policy are:

- 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*;
- To establish a framework for the company’s risk management process and to ensure its implementation;

- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
- To assure business growth with financial stability.

### **3. LEGAL FRAMEWORK**

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation.

The Companies Act, 2013 (“**Companies Act**”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (“**SEBI Listing Regulations**”) mandates laying down the procedures for risk assessment and minimization and have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act necessitate that the Board’s Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Further, the provisions of Section 177(4)(vii) of the Companies Act require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

The Policy is in compliance with the Regulation 17(9), 21 and read with Schedule III of SEBI Listing Regulations, which requires listed companies to lay down procedures about risk assessment and risk minimization and the Ministry of Corporate Affairs, Government of India in its Corporate Governance voluntary guidelines, 2009 which mentions that the risks impacting the company's business should be identified and the process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy shall be documented.

The Board of Directors of a Company should also affirm and disclose in its report to members a statement of those elements of risk, that the Board feels, may threaten the existence of the company.

In line with the above requirements, it is therefore, required for IPL or to frame and adopt a Risk Management Policy for the Company.

#### **4. FINANCIAL REPORTING RISKS**

Preparation of financial statements in conformity with Ind AS read with the Companies (Indian Accounting Standards) Rules, 2015 and restated in accordance with the SEBI Issue of Capital and Disclosure Requirements, 2018 and the Guidance Note on “Reports in Company Prospectuses (Revised 2019)” issued by ICAI requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks. The Company believes that the accounting policies related to revenue recognition and Accounting are significant and adequate.

#### **5. APPLICABILITY**

This Policy applies to all areas of the Company’s operations.

#### **6. EXECUTION OF RISK MANAGEMENT**

Risk Management is executed through identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. IPL’s Risk Management Committee will administer the efficient and effective risk management procedures within the company.

#### **7. REQUIREMENT FOR EFFECTIVE RISK MANAGEMENT**

In today’s challenging and competitive environment, strategies for mitigating essential/natural/in built risks in accomplishing the growth plans of the Company are imperative.



Effective risk management requires:

- ✓ A strategic focus,
- ✓ Forward thinking and active approaches to management
- ✓ Balance between the cost of managing risk and the anticipated benefits, and contingency planning in the event that critical threats are realised.

## 8. KINDS OF RISK FACTORS

EXTERNAL RISK FACTORS*	INTERNAL RISK FACTORS*
Economic Environment and Market conditions	Project Execution
Political Environment	Contractual Compliance
Competition	Operational Efficiency
<p>Revenue Concentration and liquidity aspects: Projects have equipment assets, which carry higher risks due to inherent longer time-frame and milestone payment requirements that impacts on profitability and liquidity. Thus, risks are associated on each business segment contributing to total revenue, profitability and liquidity.</p>	Hurdles in optimum use of resources
<p>Inflation and Cost structure Influence of inflation is inherent in any business and thereby there is a tendency of costs going higher. The in-built nature of longer timeframe in projects exposes the business to high risks of resultant increase in costs.</p>	Quality Control & Quality Assurance
<p>Technology Obsolescence IPL strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in, the best of the prevailing technology, considering importance the Company gives, for more employment to local manpower.</p>	Environmental Management
<p>Legal The Company is governed by various laws, which expect the business to be done within the four walls of the law. Thus, the Company is exposed to legal action, if/when there is a deviation.</p>	Human Resource Management in retaining skilled & talent personnel
<p>Fluctuations in Foreign Exchange# The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of “Stop Loss”, which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.</p>	Culture and values

\*Annexure 01 contains “Risk Factors with Mitigation Measures”, which will be reviewed by the IPL management on every half year for any update.

## 9. RESPONSIBILITY FOR RISK MANAGEMENT

RESPONSIBILITY	RESPONSIBLE
The effective practice of Risk Management including the timely identification of potential risks	Every staff in IPL irrespective of designation
The development of risk mitigation plans	IPL senior management
Implementation of risk reduction strategies	IPL senior management
Integration of Risk Management Processes with all & every planning and management activities	IPL senior management

## 10. COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman, Board and the Risk Management Committee have the duty of overseeing:

- Management's processes and results in identifying, assessing and monitoring risk associated with the Company's business operations
- The implementation and maintenance of policies
- Control procedures to give adequate protection against key risk.

In doing so, the Senior Executive considers and assesses the appropriateness & effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

## 11. ROLES OF RISK MANAGEMENT COMMITTEE

The role of the committee shall, inter alia, include the following:

- 11.1.** To formulate a detailed risk management policy, this shall include:
  - 11.1.1.** A framework for identification of internal and external risks specifically faced by the listed entity, 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
  - 11.1.2.** Measures for risk mitigation including systems and processes for internal control of identified risks
  - 11.1.3.** Business continuity plan
- 11.2.** To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- 11.3.** To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;



- 11.4.** To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- 11.5.** To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- 11.6.** The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management 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 of directors.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

## **12. REVIEW**

This Policy shall be reviewed at least once in two years, including by considering the changing industry dynamics and evolving complexity to ensure that requirements of legislation and the needs of organization are met.

## **13. MEETING REGIMEN**

- 13.1.** The risk management committee shall meet at least twice in a year.
- 13.2.** 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.
- 13.3.** The meetings of the risk management 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.

## **14. AMENDMENT**

Any change in the Policy shall be approved by the Committee or Board. Both Committee and Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Act or the Rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

**15. COMMUNICATION OF THIS POLICY**

This Policy shall be posted on the website of the Company. Further, the Policy and the manner in which it is being implemented must be disclosed in the Board’s report.

**16. Annexure:**

Risk Factors with Mitigation Measures



Risk Factors with  
Mitigation Measures.c

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