



Apcotex Industries Limited

Risk Management Policy

VERSION HISTORY

Version	Approved by	Date of approval / amendment
1	Board	28 th October 2021
2	Board	5 th November 2025
<i>Due date for next review</i>		<i>5th November 2027</i>

Table of Contents

Page No.

1. Preamble	3
2. Objective	3
3. Scope	3
4. Governance Structure	4
5. Risk Ownership	5
6. Risk Management Framework	5
7. Business Continuity Plan	6
8. Review of Policy	6
9. Conclusion	7

1. PREAMBLE

Apcotex Industries Limited (hereinafter referred to as “Apcotex or the “Company”), being a listed entity, is committed to conducting its business in a manner that achieves sustainable growth while maintaining the highest standards of corporate governance and risk management.

This **Risk Management Policy** has been framed in compliance with the requirements of the Companies Act, 2013, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

The Policy provides a framework for identifying, assessing, monitoring, and mitigating various risks associated with the Company in its regular course of business.

2. OBJECTIVE

This policy articulates the Risk Management principles and framework along with the Company’s approach to address uncertainties in its endeavour to achieve its stated explicit and implicit objectives. It prescribes the roles and responsibilities of various stakeholders within the Company, the structure for managing risks, and the framework for risk management.

This policy and the Internal Financial Controls set in the Company comprehensively address the key strategic / business risks, financial, operational, regulatory, sectoral, reputational, information/data security, sustainability, and technology risks, respectively.

To establish a structured and proactive approach to risk management.

- To safeguard shareholders’ value, assets, reputation, and the interests of stakeholders.
- Ensure achievement of the Company’s vision and strategic priorities in line with its core values.
- To ensure compliance with applicable laws, regulations, and environmental standards.
- To support informed decision-making through risk-based analysis.

3. SCOPE

This Policy applies to all functions, operations, and processes of the Company, including manufacturing units, R&D centres, sales and distribution, supply chain, and corporate office.

4. GOVERNANCE STRUCTURE

The Company has established four levels of risk management responsibilities in its governance structure as under:



Board of Directors (BOD):

The Board shall provide strategic direction for risk management, approve the policy framework, and ensure integration of risk considerations into key business decisions. It shall periodically assess the adequacy and effectiveness of the governance mechanism for identifying, evaluating, and mitigating risks.

The Board shall review at least once in a year the top risks faced by the Company and the status of their mitigation plan.

Risk Management Committee (RMC):

The Risk Management Committee shall assist the Board in setting the risk management framework, overseeing its implementation, and ensuring that risk management practices remain effective and aligned with the Company's objectives. The Committee shall provide a structured forum for reviewing key risks and recommending appropriate strategies.

The Committee shall be chaired by an Independent Director and shall meet at least twice during a financial year, or at such intervals as deemed necessary. Its scope, powers, and responsibilities are defined in the Terms of Reference approved by the Risk Management Committee, provided in Annexure-1 of this Policy.

Apex Risk Committee (ARM):

The Apex Risk Committee comprising of the VC & MD, Executive Director/COO-Manufacturing, CFO, Company Secretary, HOD – Sales & Marketing, HOD –

Procurement & SCM, HOD – HR, HOD – R&D and Plant heads, are responsible for laying down the risk management framework within the Company, its implementation, identification of the key strategic and operational risks that are likely to impact the achievement of Company's objectives and put in place measures for risk identification and mitigation including systems and processes for internal control for the identified risks.

5. RISK OWNERSHIP

Designated functional managers shall be responsible for identifying, assessing, and addressing risks that may impact the smooth functioning of business operations, accuracy of financial reporting, safeguarding of assets, and achievement of functional objectives. They shall also promote risk awareness and foster a risk-conscious culture within their respective domains.

In addition, functional managers shall support the Apex Risk Committee in implementing mitigation plans for key strategic and operational risks faced by the Company.

6. RISK MANAGEMENT FRAMEWORK

The Company shall adopt an Enterprise Risk Management ("ERM") framework to manage risks systematically and consistently. The ERM framework shall serve as the foundation for identifying, assessing, mitigating, and monitoring risks across all functions and levels of the organization.

In implementing the ERM framework, the Company shall be guided by internationally recognized standards such as ISO 31000 and the COSO ERM framework as amended from time to time. These standards shall serve as reference tools to strengthen the Company's risk management practices.

To ensure relevance and responsiveness to the changing business environment, the ERM framework and related risk management processes shall be reviewed and refreshed at regular intervals.

6.1 Risk Identification:

The Company shall adopt a structured approach to identify risks that may affect its business objectives, operations, reputation, assets, or compliance obligations. Risk identification shall be carried out at all levels of the organization and across all business functions. Risk identification shall be carried out at both organizational and functional levels, taking into account internal and external factors such as market dynamics, supply chain dependencies, technological changes, legal and regulatory developments, and environmental and social considerations.

6.2 Risk Assessment and Categorization:

Once identified, risks shall be assessed in terms of their likelihood of occurrence and potential impact on the Company's business. Risks shall be prioritized based on severity and categorized as strategic, operational, financial, compliance, or environmental and social risks.

The categorization shall help in assigning clear accountability, ensuring that significant risks receive appropriate attention, and facilitating effective resource allocation for their management.

The process of Risk Assessment and Categorization is provided in Annexure-2 of this Policy.

6.3 Risk Mitigation:

The Company shall develop and implement risk mitigation plans to address identified and prioritized risks. Mitigation strategies may include risk avoidance, reduction, transfer, or acceptance, depending on the nature and materiality of the risk.

Functional heads and designated risk owners shall be accountable for preparing detailed action plans, allocating resources, and ensuring the timely implementation of mitigation strategies. Mitigation plans shall clearly define timelines, responsibilities, and measurable outcomes, and risk mitigation shall be integrated into day-to-day business decisions as well as long-term strategic planning.

6.4 Monitoring and Reporting:

The Company shall establish a robust mechanism for continuous monitoring of risks and evaluation of the effectiveness of mitigation measures. Risk owners shall periodically review the progress of mitigation plans and report the status to their respective functional heads or senior management, who shall be accountable for consolidating and presenting the same to the Risk Management Committee and the Board.

Any material risks, emerging risks, or deviations from approved mitigation plans shall be escalated promptly to enable timely corrective action. Regular monitoring and structured reporting shall ensure that the Risk Management Framework remains effective, dynamic, and responsive to the evolving business environment.

7. BUSINESS CONTINUITY PLAN

The Company shall maintain appropriate Business Continuity and Disaster Recovery measures to ensure that critical operations can continue, and stakeholder interests are safeguarded in the event of any disruption.

8. REVIEW OF THE POLICY

This policy will be subject to review and amendment, as and when necessary, to ensure the same remain relevant and aligned with the evolving best practices and regulatory changes. In case of discrepancies in policy and applicable laws, applicable laws shall prevail.

ANNEXURE-1

Terms of Reference:

The Terms of Reference of the Committee are as under:

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, ESG 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.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
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.
7. Any other matter as the Risk Management Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

Annexure-2

Risk Assessment and Categorization

A) Categorization of Probability Risk

Probability	Score	Probability of the Risk
Certain to occur	5	Expected to occur in most circumstances
Very Likely	4	Will probably occur in most circumstances
Possible	3	Might occur occasionally
Unlikely	2	Could happen but unlikely
Very unlikely	1	May happen only in exceptional circumstances or may not happen at any time

B) Categorization of Severity Risk

Severity	Score	Level of Severity of the Risks
Extreme / Intolerable	5	Profit before tax >Rs. 5 crore OR Death, permanent disability, hospitalization of multiple persons OR reputation risk OR financial fraud / data leakage OR adverse effect on the environment.
Major	4	Profit before tax Rs. 3-5 crore OR Serious injury, hospitalization of a person (reportable incident)
Moderate	3	Profit before tax Rs. 1-3 crore OR Injury needed immediate medical treatment and some lost time (lost time injury)
Minor	2	Profit before tax Rs. 0.5-1 crore OR Minor injury, first aid treatment, minor exposures, minor effect on environment
Negligible	1	Profit before tax < Rs. 0.5 crore OR Injuries requiring no medical attention/first aid, near miss, minor spillages. Leakages affecting no persons

C) Rating of Risk

Overall Risk Ranking	Action	Risk Severity Score
Substantial	Needs immediate attention - Apex Committee/Board	> 16
Intolerable	Needs immediate attention - Apex Committee/Board	15 - 16
Moderate	Needs immediate attention - Plant Risk Committee and Respective HOD report to Apex Committee every 3 months	8 - 12
Tolerable	Keep a watch and report if there are any changes – Respective HOD	3 - 6
Minor	Keep a watch and report if there are any changes – Respective HOD	1 - 2