

Risk Management Policy

1. BACKGROUND

Intech Organics Ltd. (“the Company”) is engaged in manufacturing of Agrochemicals and Insecticides, with distributors spread across India & Overseas. The business activities of the Company carry various internal and external risks.

‘**Risk**’ in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks.

‘**Risk Management**’ is the 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. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- 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.

In today’s challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks *inter alia* are: Regulatory, Business, Technology obsolescence, Resources availability, Talent retention, etc.

2. 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 has incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 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, 2013 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.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a “**Risk Management Policy**” (this Policy) of the Company.

3. OBJECTIVE

The main objective of this Policy is to ensure sustainable growth with stability by effectively identifying and evaluating risks which may have critical impact on Company’s business and to take appropriate action to control, minimize, manage and mitigate such risks.

4. RISK MANAGEMENT FRAMEWORK

The Company has established following framework for risk identification, minimization and mitigation:

- (a) All HODs are responsible for identifying and assessing risks within their area of responsibility and reporting to the Audit Committee.
- (b) The Committee shall evaluate such risk and suggest actions to be taken to control, minimized & mitigate the risk. Department heads shall be responsible for implementation of action suggested by the Committee.
- (c) The Committee shall periodically review the risks reports and shall inform to the Board about major risks faced by the Company and mitigation action thereof in case the Committee considers so.

5. RISKS IDENTIFICATION

Risks factors (external and internal) being assessed by responsible managers across the organization periodically. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings. Internal control is exercised through policies and systems to ensure timely availability of information that facilitates pro-active risk management.

While evaluating and mitigating the risks (external and internal) the probability of risk being estimated with available information and appropriate risk mitigation measures worked out in the following areas:

- **Economic Environment and Market conditions**

The Company operates in the Agrochemical industry segment, having significant interest in fumigants with major export business. Any change in economic environment and market conditions in India or abroad will have a direct impact on Company’s performance.

- **Political Environment**

The Company is engaged in the production of Agrochemicals which is banned in several countries. As greater part of revenue of the Company is generated through export of

goods, a change in law due to change in Government policy may highly impact the business and revenue of the Company.

- **Revenue Concentration and liquidity aspects**

The maximum revenue of the Company is generated through export of goods, so income is mostly concentrated in overseas market. A change in foreign trade policy, taxes, duties or any other rule/regulation may impact the revenue of the Company.

- **Inflation and Cost Risk**

Inflation is inherent in any business and thereby there is a tendency of cost/s going higher. Further, the project business is prone to higher risks of inflation and resultant increase in costs due to its inherent longer time frame.

- **IT / Cyber/ Technology Obsolescence Risk**

Information Technology risk (IT risk) includes risk pertaining to system capability, reliability and data integrity risks.

The Company 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.

- **Legal & Statutory Risk**

The business is subject to numerous laws, rules & regulations, which keeps changing. Frequent change/s in laws, rules & regulations create uncertainty for the business as these changes are subject to varying interpretations. This results in continuing uncertainty regarding compliance matters and higher costs of compliance.

- **Foreign Exchange Fluctuation Risk**

The Company has foreign currency exposure in terms of sales, purchases and other expenses. To mitigate the foreign currency risk the Company sometimes do hedging by taking forward contracts with the bank. The Company has natural hedge against the foreign currency exposure.

- **Competition Risk**

Like in any other business, the Company also faces competition in its business.

- **Financial Reporting and Accounting Fraud Risks**

The accounting fraud are business scandals arising out of misusing or misdirecting of the funds, overstating revenues, understating expenses etc.

- **Environmental, Social and Governance Risk**

Importance of Environmental, Social and Governance (“ESG”) are increasing day by day. Investors/ customers are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. Therefore, ESG risks may impact the Company.

- **Disaster / Business Continuity Plan Risk**

Natural calamities like fire, floods, earthquakes etc. pose a risk which can not be predicted properly. However, by proper risk management the gravity of such disaster can be reduced to minimize.

- **Human Resource Risks**

The Company is exposed to inherent human resource risk which includes employee turnover risk, skilled manpower retention risk, employee unrest risk like strikes and lockout.

6. COMPLIANCE AND CONTROL

All the HODs under the guidance of the Board of Directors has the responsibility for over viewing management processes and results in identifying, assessing and monitoring risk associated with the organisation's business operations and implementation and maintenance of policies and control procedures to give adequate protection against key risks. In doing so, the HODs considers and assesses the appropriateness and 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.

7. AMENDMENT

This Policy may be reviewed and modified at any time by the Board of Directors of the Company. Any change/ amendment in statutory provisions will apply automatically.

8. DISCLAIMER

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in risk identification, evaluation and mitigation measures and the risks outlined above are as per management's perception of risks.
