

RISK MANAGEMENT POLICY

(effective from 15.07.2025)

Introduction

With the changing business environment and the growing diversification of “Company”, Dhanuka Agritech Limited, is exposed to various risks from operational, regulatory, financial and strategic perspectives. The Board of Directors “Board” is committed to fostering an environment within the Company that enables proactive identification, assessing, management, monitoring, reporting of various risk and controls that the Company requires.

Objective:

This Risk Management policy document 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 to:

- 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 better manage the uncertainties which can impact the Company’s performance.
- D. Contribute to safeguarding Company Value and interests of various stakeholders.
- E. Ensure that business opportunities are identified and pursued without exposing the company to unacceptable levels of risks; 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.

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 Processes, within the company.
3. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.
4. Risk identification is obligatory on all business and functional heads. The Functional Heads shall report the material risks to the Committee along with their considered views and recommendations for risk mitigation.
5. Analysis of all the risks: Mitigation Plans and Actions shall be placed before the Committee by the Functional Heads and then the Committee shall place the same before Board.

Definitions:

1. **Risk:** Any event (or non- event) that if 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 realised would affect the organisation. 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 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.
7. **Risk Tolerance:** the boundaries on how much risk the company prepared to accept throughout the course of on-going operations. The risk tolerance must be approved by the Managing Director and the Board.
8. **Risk mitigation plan:** Measures (existing and proposed) to mitigate, monitor and transfer the priority risks.
9. **Risk Owner:** person, department or entity with the accountability and authority to manage a risk.

Constitution of the Committee:

The Risk Management Committee is a committee comprising majority of the members of the Board of Directors of Dhanuka Agritech Limited 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 Risk Management process within the Company.

1. Constitution of the Committee:

- 1.1 The Board shall constitute the Committee from among its members. The Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise independent directors.]
- 1.2 The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- 1.3 The Committee may invite such other function head(s) as may be deemed necessary by the Committee to attend the meeting of the Committee, as special invitees.

Terms of Reference of the Committee:

1. Meetings and Proceedings:

- 1.1 The Company Secretary of the Company shall act as the secretary to the Committee.
- 1.2 The Committee shall meet and review the Risk Management plans at least twice in a financial year and shall have an authority to convene additional meetings as may be required by the Chairman.
- 1.3 Notice of each committee 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.
- 1.4 Meeting may be called at a shorter notice with the approval of the Chairman of the Committee.
- 1.5 The quorum for meeting 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.
- 1.6 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 shall elapse between any two consecutive meetings.
- 1.7 The minutes of the proceedings and resolutions of Committee meetings shall be maintained by the Company Secretary. The minutes shall be circulated to all Committee members for their comments, if any.
- 1.8 Any member of the Committee may participate in a meeting by video conference. A person so participating shall be deemed to be present at the meeting.
- 1.9 A person attending through video conference shall be counted in quorum for the meeting.
- 1.10 All decisions of the Committee shall be taken by a majority vote of the members present at the meeting of the Committee. The Chairman shall not have a casting vote.
- 1.11 Meetings of the Committee may be attended by other executives as per the invitation of the Committee.
- 1.12 The Chairman will brief the Board on the activities of the Committee on regular basis.

2. Role and Responsibilities:

- 2.1 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, Environment Social Governance 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.
 - d) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
 - e) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
 - f) To periodically review the risk management policy, at least once in two (2) years, including by considering the changing industry dynamics and evolving complexity;
 - g) To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;

The 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.

3. Powers:

- 3.1 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.
- 3.2 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.
- 3.3 Approving additional resources

4. Reporting and Evaluation:

- 4.1 The Committee shall apprise the Board on the risk profile of the Company in every financial year.

5. Review & Authority:

- 5.1 The terms of reference of the Committee shall be reviewed by the Board in compliance with the listing regulations, the Companies Act and Rules/Regulations made thereunder.

6. Amendment:

This Policy can be amended as and when it deems necessary under the amendments in accordance to the provisions of the Companies Act 2013 and the SEBI Listing Regulations to ensure it meets the requirements of legislation and the needs of organization by the Board of Directors of the Company on the recommendation of the Risk Management Committee.

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 in order to identify the list of risks that require management attention and monitoring.
- d) 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 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, 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 seasons, 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 owners shall have the responsibility to ensure implementation of the risk mitigation plans.

4. Risk Monitoring and Reporting

- a) A formal Report on Priority Risks, Risk mitigation controls and actions will be submitted 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 of the type of risks faced by the Company is defined in Annexure 1.

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.

Annexure 1

Illustrative list of the risks faced by the Company

A. INTERNAL RISK FACTORS: Internal risks are those which are essentially within the Company's control. We have attempted to cover all relevant internal risks falling under the 7 M's of Management: Man, Money, Machine, Material, Method, Management, and Measurement.

S. No.	Category	Internal Risk Factors	Risk Assessment: Likelihood (L) / Impact (I)	Risk Response Strategy	Response Actions
1	Man	Mis-handling of hazardous chemical and poisonous substances in the manufacturing process	L:Low I:High	Risk Reduction	Adequate training and safety measures
2	Money	Exposure to Foreign Exchange rate fluctuation	L: Medium I: Low	Risk Transference	The Company has the experience of many years that coverage cost is always more in compare to loss incurred due to foreign exchange rate fluctuation. Therefore, no coverage is taken to cover this risk by the Company. However, frequent reviews, including internal checks and controls are implemented to review the same at frequent intervals.
3	Money/ Machine	Fixed Assets	L: Low I: Low	Risk Transference	Insurance coverage
4	Material	Development of resistance by pests to Company's products in the long term rendering them ineffective	L: Low I: Low	Risk Reduction	Introduction of new products and tie-ups with International manufacturers of innovative molecules.
5	Material	Dependence on Strategic collaborations for supply of technical.	L: Low I: High	Risk Retention	Maintaining amicable relations and a win-win approach towards existing collaborators and exploring new possibilities through two-pronged approach: a) widening of existing collaborations by adding new products b) exploring opportunities for collaborating with more Companies

6	Material	Increase in raw-material prices	L:Medium I: Low	Risk Reduction	For Principal products, the prices are mutually decided with suppliers, upfront at the beginning of each fiscal for tie-up products with MNCs. And for Generic products, change in price is generally based on demand and supply. We pass the price increase & decrease to the customer.
7	Method	Indiscriminate/ Faulty use of the products by farmers	L: Low I: Medium	Risk Reduction	Dhanuka's Doctors and field staff train and educate farmers
8	Method	Inadequacy of documented plans, policies and process flows, business contingency plan	L: Low I: Low	Risk Reduction	The Company has strong internal audit team, which review these policies and procedures on frequent intervals.
9	Management	Dependence on Key Management Team– Attrition Management, back-ups, and Succession planning	L: Low I: Medium	Risk Reduction	Training and development of the next level are being undertaken. Responsibility for the same is given to HR Head.
10	Measurement	Inaccuracy of forecasts, Inventory & Logistic mismanagement could result in unexpected reduction in sales due to stock-outs or surplus of stocks, wastages, theft, pilferage	L: Low I: High	Risk Reduction	. Monthly review/meetings are done for the demand forecasts, inventory and logistic management and corrective actions are taken accordingly .

B. EXTERNAL RISK FACTORS: External risks refer to risks external to the business itself and are largely beyond the Company's control. We have attempted to cover all External relevant risks as per Pest Analysis: Political/Legal, Economic, Social, and Technological. In addition, Environmental factor has also been incorporated, as it has a major impact on our Industry.

S. No.	Category	External Factors	Risk Assessment Likelihood (L) / Impact (I)	Risk Response Strategy	Response Actions
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1	Environment	Environmental conditions beyond the control of the Company like floods, droughts, monsoons, etc. can adversely affect operations of the Company	L: Medium I: High	Risk Retention	Usually, rain is not evenly spread out over the country. Hence, even if rains are scarce in one territory, the sales in other territories, which have better rainfall, average out the shortfall in sales
2	Environment	Considering the seasonality of the Company's business, sales may be low during the offseason	L: Medium I: Medium	Risk Reduction	Efforts are made to ensure the availability of adequate stocks during peak season, to maximize sales so that the total turnover meets targeted sales
3	Social	Sales of the Company are to a large extent dependent on the overall area under cultivation and the cropping pattern adopted by the farming community in India; increasing urbanization	L:Low I: Low	Risk Reduction	Products are being introduced which increase productivity per hectare. Also, some products indirectly increase productivity by protecting seeds from soil and seed-borne diseases.
4	Social	The increasing influence of NGO's / media wrt organic foods, side-effects of pesticides on health and environment	L: Low I: Low	Risk Reduction	Educating people about the increasing food needs of an increasing population and the extent of side-effects of pesticide usage. Also, environment-friendly, new low-dosage, but high-efficacy products are introduced to minimize damage to health & the environment. For instance, if 500 gm/ acre weedicide was being used earlier, now only 8 gm/ acre is being used because of advanced chemistry products.
5	Technological	Competition from other established companies and future entrants into the industry, both domestic and international, development of new molecules	L:Medium I: Medium	Risk Reduction	Continuous exploration & strategic collaborations with International companies for new technologically advanced and more effective products

6	Economic	General State of the Economy & Industry	L:Medium I: Medium	Risk Absorption	India is an agriculture-dominated economy, where 58% of the population is dependent on agriculture for livelihood, and ours is an agri-inputs Company. Also, the Company has started to explore new markets through exports.
7	Economic	Farmers' Incomes and Minimum Support Prices	L: Low I: Low	Risk Absorption	Farmers' incomes and Minimum Support Prices are increasing, which is beneficial to our Industry.
8	Political/ Legal	Failure to comply with/ changes in stringent quality norms prescribed by the Government, environmental & other laws/regulations/Policies/ litigation	L:Medium I: Medium	Risk Reduction	All due steps are taken to ensure timely compliances
9	Political/ Legal	Changes in Government Policies relating to hazardous Industries	L:Medium I: High	Risk Reduction	The Company is in collaboration with various Industry Association including FICCI, ACFI, CLI and is in touch with the Regulator(s) to safe guard this Industry.