POLYPLEX CORPORATION LIMITED

CIN: L25209UR1984PLC011596

Regd. Office: Lohia Head Road, Khatima 262 308, Distt. Udham Singh Nagar, Uttarakhand

Risk Management Policy

I. Introduction:

Risk management is a central part of the organization’s strategic management. It is the process whereby the Organization addresses the risks attached to its activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities. The focus of good risk management is the identification and treatment of these risks. Its objective is to add maximum sustainable value to all the activities of the organization, thus optimizing operational efficiency. Effective risk management ensures continuity of the Organization’s operations and protection of the interests of its stakeholders.

The importance of risk management has been growing steadily during the past several years. There is an increasing awareness and expectation to manage the risks. The Company’s Risk Management Policy (“the Policy”) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with Regulation 21 and Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

i. The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as “RMC”) who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the Chief Risk Officer with the support of business managers. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day to day basis.

II. Objective:

The objective of this policy is

- To enable visibility and oversight of Board on risk management system and material risk exposure of the Company.
- To define and document the risk management methodology that Polyplex follows in order to enhance its capability to deal with financial, strategic, operational, AOG (Acts of God), cyber and ESG risks.
- To improve decision making, planning & prioritization by comprehensive and structured understanding of risks faced by the Company.

III. Risk Management Committee:

This policy shall be under the authority of the Risk Management Committee (RMC).

The following serves as the role and responsibility of the RMC:

- Approving the risk management policy
- To define the organization structure and framework for identification of external and internal risks
- To define measures for risk mitigation for internal control of identified risks to facilitate a smooth functioning within the overall risk appetite of the Company
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
- Ensure periodic review and business contingency plans in order to counter possibilities of adverse market movements
- Approve appointment of the Chief Risk Officer

IV. Constitution of Risk Management Committee (RMC):

The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director. The Chairperson of the Audit Committee shall be the permanent invitee to the Risk Management Committee meetings.

The RMC shall meet at least twice in a year and the gap between two meetings shall not exceed 210 days.

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.

The list of the committee members is annexed as Annexure A to this policy and the Board has absolute power to reconstitute this Committee.

V. Chief Risk Officer

The Chief Risk Officer (CRO) plays a pivotal role in the oversight and execution of a company's risk management function.

CRO is responsible for:

- Establishment and implementation of risk management processes across all business functions effectively
- Promoting a strong risk culture and sustainable risk return decision making
- Periodic risk assessments across different functions
- Implement appropriate risk reporting to RMC and Board
- Ensuring that the risk management policy is implemented in all functions and that all significant risks are being recognized and effectively managed in a timely manner

For successful implementation of risk management framework, it is essential to nominate business managers to lead the risk management teams. Periodic workshops shall be conducted to ensure awareness of the policy and the benefits of following them. This will ensure that risk management is fully embedded in management processes and consistently applied.

VI. Risk Management Program

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile. To achieve this, the Company has clearly defined the responsibility and authority of the Company's Risk Management Committee as stated above, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's CRO and senior management/business managers to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

VII. Types of Risks:

Risks can be classified into following broad categories

- **Strategic Risks** – These include industry changes, competition, customer demand, new products development, political and economic instability etc. that can adversely impact the Company's strategic growth trajectory.
- **Operational Risks** – These include risks arising from failure to comply with operational policies and procedures across areas like accounting controls, information systems, project implementation, supply chain, trade defense measures, human resources, legal/regulatory etc.
- **AOG (Acts of God) & Other Insurable Risks** – These risks arise due to natural events and other events accidental in nature. It includes Force Majeure events like floods affecting operations, other acts of God. Other Insurable Risks include Public & Product Liability Risks, Transportation Risks, Risk of Machinery Breakdown, etc.

- **Cyber Risks** – This includes various kinds of cyber risk the Company is exposed to like unauthorized network traffic, system capability, unauthorized remote access, Information security, extortion, ransomware etc.
- **ESG (Environmental, Social & Corporate Governance)** – This includes environmental, governance and societal impact of Company's operations and the risks attached to the same.
- **Financial Risks** – These include Foreign exchange risk, Interest rates risk, Credit risk, Liquidity & Cash flow risk etc.

VIII. Risk Management Process:

- **Risk Identification -** The first step in managing the risk is to identify the potential events from internal or external sources which can affect the achievement of Company's objectives.
- **Risk Measurement–**This involves assessment of the identified risks in order to determine how it should be managed. Risk is assessed on the basis of quantification of risks, impact of risks and its likelihood.
- **Risk Treatment –** It defines the way to deal with the risk. Various mechanism to treat risk are:
    - Risk avoidance/termination
    - Risk transfer
    - Risk reduction/mitigation
    - Risk acceptance/retention
- **Responsibility –** Responsibility for managing the risk shall be clearly defined and communicated across all levels.
- **Monitoring –** A successful risk management process depends on continuous monitoring of the risks, the process involved, control mechanism, actions for improvement etc.

IX. Risk Assessment Process:

Strategic Risks

Scope of Risk	Strategic Risk arises on account of changes in Industry trends, new competition/players in the market, changes in customer's demand, low entry barriers, new product development, changes in legal and regulatory environment etc. These concerns the long-term strategic objectives of the Company.
Nature of Risk	**Strategic**
Risk Assessment	The Company constantly analyze the dynamic Industry trends and the impact of the same on operations. These risks are generally assessed during the annual budget reviews and annual off-sites besides monthly Group Executive Committee (GEC) meetings where all the strategic issues and risk involved with them are discussed and analyzed with appropriate action steps.
Risk Treatment & Control Mechanism	Based on the continuous risk assessment, the Company takes decisions for: - New Investments (Greenfield and Brownfield) - Investments for debottlenecking of existing assets - Diversify risk by investing in different countries - Diversification into various substrates and downstream product lines - New product developments and new customer acquisition - Specialty products with various innovative applications etc. - M&A Opportunities In order to protect its IPR, the Company owns various patents and trademarks across products, processes and countries and for many others the applications have been filed.

Operational Risks

Scope of Risk	Operational risk arises due to day-to-day issues that the Company is confronted with as it strives to deliver its strategic objectives.
Nature of Risk	**Operational**
Risk Assessment	These risks are constantly assessed during the operational review meetings which are held every month/quarter.
Risk Treatment & Control Mechanism	**Internal Controls:** In order to control the operational risks, the Company has following policies in place: • Sales Delegation of Authority (DOA) • Purchase DOA • Financial DOA • Transfer Pricing guidelines • Policy for Investment of surplus funds • Project capex & Non Project capex DOA • HR Policy manual • Information Technology policy & DOA • Investor Relation policy • Fixed Assets Verification Policy • Guidelines on Physical Verification of Inventory • Policy on Inventory Valuation and Net Realizable Value (NRV) assessment • Procurement Process for Speciality Coded chemicals • Scrap Sales Policy In order to minimize the project implementation risk, the Company continuously tracks and monitors the project progress, which is done as provided in a Project Information Memo (IM) issued for each project. **External Services:** In addition to the internal controls, the Company does take the services of external agencies to check and validate various controls.

AOG & Other Insurable Risks

Scope of Risk	These covers risk due to natural events and external environment. In case of any Acts of God perils, machinery breakdown or any sudden or accidental mishap, the Company's assets and manpower are at the risk of loss. In addition, the Company's operations can also be hampered.
Nature of Risk	**Acts of God Perils, Fire, Machinery Breakdown, Marine and Liability related risks.**
Risk Assessment	Due to the dependence on external environment, the likelihood of such risk is unknown but its impact could be large.
Risk Treatment & Control Mechanism	In order to mitigate the impact of natural events and the uncontrollable events which are accidental in nature, the Company takes various Insurance policies both for its ongoing operations as well as projects related (Risk Transfer) from reputed Insurance Companies. **Ongoing Operations:** • IAR policy – To cover all its fixed assets, stocks including work-in-progress, machinery breakdown and business interruption loss • Marine policy – To cover goods in transit both on purchase and sales side as well as movement of Capital goods • Liability Insurance – This includes workmen compensation, Directors & Officer Liability, motor liability and commercial general liability (both product & public liability) **Projects:** • CAR/EAR policy – These covers risk related to the construction & erection activities • Marine policy – To cover Plant & Machinery & other goods related to the project against marine risk • Marine DSU (delay in startup)- To cover loss of profit due to delay in project start up resulting from marine risk The following certifications with respect to the quality management, environmental management, health & safety standard implies robust manufacturing practices: • ISO 9001 – For Quality Management • ISO 14001 – For Environmental Management System • ISO 22000 – For Food Safety Standard • OHSAS 18001 – For Health & Safety Controls • ISO 50001 – Energy Management Systems • FDA Certificates – Confirming the product suitable for production of food packaging

Cyber Risks

Scope of Risk	These covers risk due to unauthorized network traffic, unauthorized remote network access, unauthorized system access, missing audit trail, user credential thefts, cyber frauds, unauthorized cyber transactions, cyber extortion, and ransomware attacks etc.
Nature of Risk	**Cyber related risks**
Risk Assessment	Cyber security risk is increasing driven by global connectivity, more reliance on technology and increase in work from home due to coronavirus pandemic.
Risk Treatment & Control Mechanism	In order to mitigate the cyber related risks, the Company has strong control measures like: • Firewalls at all points of external connectivity • Email Spam filters • Network Firewalls • Managed networks • Domain Authentication Services • Anti-virus Solutions • Log analyzer device Following good practices & guidelines are in place: • User Access Management guidelines • Guidelines for appropriate usage of all IT services and equipment by the employees • Key practices to be followed by the IT staff • Guidelines of usage of E-mail, Internet and other means of communication • Policy for issuance of IT equipment to the employees along with the approval process for the same. • Guidelines for reliable data backups and recovery by the employees and by the IT staff. Cyber & Crime Insurance policies have also been taken to protect the Company against cyber related liabilities and financial losses (Risk Transfer)

ESG Risks

Scope of Risk	Environmental, Social, and Corporate Governance refers to the three central factors in measuring the sustainability and societal impact of the Company's operations.
Nature of Risk	ESG
Risk Assessment	To create a sustainable future by addressing the interconnected nature of the environmental, social and economic challenges.
Risk Treatment & Control Mechanism	Polyplex is committed towards sustainability and aims to be a total packaging substrate solution provider for its customers while developing products with minimal environmental impact and providing the highest standards of health and safety to the workforce. Continuous efforts are made to reduce waste, improve efficiency, reduce carbon footprint and long- term commitment towards human rights and labour practices. The Company strives to follow best practices relating to the environment, health and safety and investing in manufacturing sustainable products and processes. **Other measures include:** - Representing the polyester industry at various national and International Industry Associations:

PETCORE – Europe	PET Sustainability & Recycling
CEFLEX _Europe	Flexible packaging circular economy
PET Europe – Flake Injection Consortium	PCR PET Circularity
BOPET Films - Europe	PET film
IFCA – India	Flexible packaging and folding carton

	- Support development and modernization of plastic waste management infrastructure (Collection, Segregation and Recycling) - Engagement of external consultants to develop long term sustainability goals, strategy and road map and conduct LCA studies - Sustainability reporting as per the Global Reporting Initiative (GRI) standards. All employees at all levels of the company are expected to comply with the governance framework in their everyday decisions and actions in compliance with the following policies: - Whistle Blower Policy

	- Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information - Code of Conduct for Directors & Senior Management - Code of Business Conduct for Suppliers - Code of Internal Procedures & Conduct for Regulating, Monitoring & Reporting of Trading by Insiders - Corporate Social Responsibility Policy - Environment, Health & Safety Policy - Prohibition of Sexual Harassment of Women Employees at Work Place

Financial Risks

Name of Risk	**FX risk** arises on account of sudden/unanticipated changes in exchange rates.
Scope of Risk	As Polyplex deals in multiple currencies due to its operations at different locations and high export orientation, there is a risk on account of currency mismatches which could result in gains/ losses impacting the cash flows, income statement, balance sheet and consolidated financials.
Nature of Risk	**Financial**
Risk Assessment	Impact of FX volatility on top and bottom line
Risk Treatment & Control Mechanism	The FX policy which clearly defines the hedging methodology, monitoring & review mechanism, trading limits & controls is being followed. • **Risk Treatment** o Natural Hedge by choosing right trade currency & loan currency. o Hedging on net basis. Net basis refers to looking at the net position of FX inflows & outflows. o Optimization of cash flows • **Control Mechanism** o Regular updation of cash flows, identification and logging of exposure and taking the necessary actions. o FX report focusing on revaluation of positions on MTM basis, measuring treasury performance etc. o Quarterly / Annual Review by CRO o Assessing the structural risk and the possible impact on the operations The Company follows the relevant accounting standards & disclosure norms, as applicable.

Name of Risk	**Interest rate risk –** It is the risk borne by interest bearing debt and investments, due to variability of interest rates.
Scope of Risk	In case of financing done at floating rates, as the interest rates changes (due to monetary actions), cost of borrowing also changes, thus impacting the cash flows. Therefore, the choice of fixed or floating rate financing needs to be made.
Nature of Risk	**Financial**
Risk Assessment	Impact of interest rate volatility on bottom line
Risk Treatment &Control Mechanism	• **Risk Treatment** ○ Choice of interest rate & currency basis while availing the loan ○ Interest rate swaps • **Control Mechanism** ○ Continuous monitoring of yield curves. Suppose economic indicators indicate that USD interest rates have bottomed out, so it becomes feasible to swap a part of floating USD loan to fixed, thus reducing the risk of increase in borrowing costs. ○ Quarterly monitoring of debt profile.

Name of Risk	**Credit risk** implies risk of loss due to non-payment by debtors
Scope of Risk	This risk arises in case of unsecured or open payment terms. As some of the sales are based on open terms, rather than secured through any means (e.g. LCs), there is a risk of default in such cases.
Nature of Risk	**Financial**
Risk Assessment	• Overdue (>1week) /Debtors, Unsecured Overdue (>1 month) / EBITDA • Unsecured debtors/Total Debtors • Average Credit Period • Cost of Credit Risk/ EBITDA (Cost of credit risk includes bad debts written off, provision for bad debts and the credit insurance premium)
Risk Treatment & Control Mechanism	The credit risk management policy is being followed with the following principles, risk transfer and control mechanism.

	• **Principles:** o Secure all receivables to the extent possible o Maintain a balance between credit risk management and operational flexibility o Credit assessment and setting up of internal limits for unsecured debtors • **Risk transfer through:** o Credit Insurance o Advance Payments, LCs o CAD – Limited Risk o Retention Clause – Limited Legal Coverage • **Control Mechanism:** o Monthly credit risk report focusing on credit risk indicators

Name of Risk	**Liquidity** implies ability of the Company to meet its obligations and to finance its future investments. Higher debt- equity or lower DSCR (Debt Service Coverage ratio) could limit the investment capacity of the Company.
Scope of Risk	Generally, if the cost of debt is lower than the return on investments, by increasing the financial leverage, one can enhance the return on equity. However, since there is an obligation to make fixed interest and principal repayments on debts, an increase in leverage in the case of volatile operating cash flows could strain the cash availability with the company. Also, higher debt could limit the ability of the company to finance its further investments. In those cases, one needs to look at internal accruals and equity infusion.
Nature of Risk	Financial
Risk Assessment	• Debt Equity ratio • Debt Service Coverage Ratio • Debt/ EBITDA ratio • Fund availability (Cash balances + unutilized limits)
Risk Treatment & Control Mechanism	• Annual budgeted cash flow forecast • The monthly financial MIS quantifies the above mentioned ratios

X. Review Mechanism: The policy and process must be reviewed periodically but not later than two years based on changes in the business environment, regulations, standards, best practices in the Industry etc.

Any change in the Policy shall be approved by the Committee (as may be authorized by the Board of Directors in this regard). The Committee has 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 Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

Notes:

1. Version 1.0 of this *Policy was approved by the Board of Directors in their meeting held on November 14, 2021*

2. Version 2.0 of this *Policy was approved by the Board of Directors in their meeting held on November 12, 2024*

Annexure-A

Members of Risk Management Committee

Sr. No.	Member's Name	From	To	Category	Designation
1.	Mr. Jitender Balakrishnan	May 25, 2021	March 31, 2024	Independent Director	Chairperson
2.	Mr. Suresh Inderchand Surana	May 25, 2021	July 9, 2024	Independent Director	Member
3.	Mr. Pranay Kothari	May 25, 2021	Continuing	Executive Director	Member
4.	Mr. Yogesh Kapur	April 1, 2024	Continuing	Independent Director	Chairperson
5.	Ms. Pooja Haldea	July 10, 2024	Continuing	Independent Director	Member
6.	Mr. Iyad Malas	November 12, 2024	Continuing	Non-Executive Director	Member
	Mr. Manish Gupta	May 25, 2021	Continuing	Chief Risk Officer	