HARIOM PIPE INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

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PREFACE

Risk Management in a business environment is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

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. This policy is formulated in compliance with regulation 17(9)(b) of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ("Listing regulations") and 134(3)(n) of the Companies Act, 2013 ("the Act") read along with other applicable provisions that requires Corporates to institute risk management framework comprising a process for risk assessment and minimization procedures, in order to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts on the Company and capitalize on opportunities.

PURPOSE AND SCOPE

A risk implies a chance or possibility of danger, loss, injury or any other adverse consequences that might affect the operations of the Company. Risk Management is an attempt to identify potential risks and devise necessary steps to mitigate them. The company's risk management framework are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The company's board of directors has overall responsibility for establishment and oversight of the company's risk management framework. The board of directors has established the processes to ensure that the executive management controls the risks through the mechanism of properly defined framework. The risk management systems are reviewed by the board annually to reflect changes in market conditions and company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive environment in which all employees understood their roles and obligations.

This policy establishes the process for the management of risks faced by M/s Hariom Pipe Industries Limited. The aim of risk management is to maximize opportunities in all activities and to minimize adversity. This policy applies to all activities and processes associated with the normal operations of Hariom Pipe Industries Limited.

RISK MANAGEMENT COMMITTEE

The Board of Directors of the Company shall constitute a Risk Management Committee consisting of majority of members of the Board along such employees as the Board may think fit. The Committee shall facilitate in drawing a Risk Management System, which help the Company in the areas of risk identification, assessment, monitoring, mitigation and reporting.

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 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

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.

The risk management committee shall meet at least twice in a year and not more than 180 days shall elapse between two consecutive meetings.

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 Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

The Committee may at any time appoint or authorize/designate any person as Chief Risk Officer (CRO) of the Company to take care of operations of the Risk Management Mechanism.

STEPS IN RISK MANAGEMENT

Risk management process involves the following steps

1	Risk identification	• Identify which events are potentially of influence on (the achievement of) the strategy and objectives. This step involves current as well as future events. integrated risk management recognizes two types of events: internal and external. • External and internal risk factors that must be

		managed are identified in the context of business objectives.
2	Risk assessment	• Risk assessment refers to the process followed to comprehend the nature of risk and determine the level of risk. Risk assessment is intended to provide inputs for risk evaluation. • 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 facilitate pro-active risk management.
3	Risk analysis	• Risk analysis involves consideration of: • Risk velocity – How quickly is the risk likely to manifest itself. • Likelihood of risk events – How frequently the event or risk is likely to occur • Impact of risk – Quantum of the effect of the event or risk
4	Risk treatment	• Risk treatment involves selecting one or more options for managing risks, and implementing such action plans. The process integrated risk management is intended to: • Understand existing controls/ mitigation mechanisms in place for managing risks. • Generate a new risk treatment plan. • Assess the effectiveness of such treatment plan.
5	Risk mitigation	• Risk mitigation relates to the policies, procedures, processes and other actionable steps implemented to address the risks associated with specified future events.
6	Risk control and monitoring	• Risk monitoring, review and reporting are critical components of integrated risk management. The intent of monitoring and reviewing risks and their respective treatment

		plans is to: Analyze and track events, changes, trends which affect identified risks. • Risk monitoring shall be conducted by the functional Department on quarterly basis, for identified risks, in order to track the status of treatment plans and consequently update changes to risk profiles.

ROLES AND RESPONSIBILITIES OF RISK MANAGEMENT COMMITTEE

Apart from the responsibilities enumerated under the provisions of Listing regulations and the Act, the Risk Management Committee shall be responsible for the following:

1. To provide regular reports to the Board of Directors with respect to effective and efficient functioning of the Risk Management System.

2. To apprise the Board with respect to new risks being faced by the Company from time to time.

3. To examine the organization structure relating to risk management.

4. To review all hedging strategies/risk treatment methodologies vis-a-vis compliance with the Risk Management Policy and relevant regulatory guidelines.

5. To define internal control measures to facilitate a smooth functioning of the risk management systems.

6. Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

7. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.

8. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

9. To keep the board of Directors informed about the nature and content of its discussions recommendations and actions to be taken.

10. To monitor and review the cyber security of the Company.

11. It shall review appointment, removal and terms of remuneration of the Chief Risk Officer.

The Risk Management Committee shall have access to any internal information necessary to fulfill its oversight role. The Risk Management Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

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.

RISKS MITIGATION MEASURES ADOPTED:

S.No	Nature of Risks	Risk Mitigation
1	**Business operational risks**	
	a. Business dynamics: • Organization and management risks. • Productions, process and productivity risks • Business interruption consisting of internal external factors	• The Company functions under a well defined organization structure with focus on role clarity. • Proper systems are in place in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes. • Selection of technology, standardization of processes, clears SOPs, training, upkeep of assets. • Proper training and development, incentives and reward system for employees at all level.
	b. Industry Risks: • Raw material availability and movement of rates. • Demand and Supply Risk • Quantities, Qualities, Suppliers and lead time. • Competition. • Increase in commercial costs	• Tracking micro and macroeconomic level data, market trends and forecasts by expert agencies, internal review by KMPs • Developing a good understanding and tracking of movement of rates of raw material at macro level, keeping a track on global and domestic economy, climatic conditions, geo-political factors, global demand and supply, trade policies etc. • Alternative sources are developed for uninterrupted supply of raw materials. • Demand and supply are external factors on which company has no control. However,

		based on experience gained from the past and by following the market dynamics as they evolve, movement by competition, economic policies and growth patterns of different segments, the Company is able to estimate the demand during a particular period and accordingly supply is planned and adjusted. • The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, delivery mechanisms, technical inputs and advice on various aspects of de bottlenecking procedures, enhancement of capacity utilization in customer plants etc. • Proper inventory control systems have been put in place. • The Company has been increasing operational efficiency and continues to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives. • Effective steps are being taken to reduce cost of production on a continuing basis through focus on cost and realization, budgets, budgetary controls, management control system, close watch on market dynamics etc. • On competition side, keeping a close watch on competitor's strengths and weaknesses, competition dynamics etc. • Installation of additional capacities with location, cost advantageous and to cover marketing strategies evolved to cover wider area will overcome competition. • Exploiting the traditional strong relationships with dealers to market higher

		production of company's products is equally valid strategy being pursued. • Inspection of all materials by qualified professionals. • Use of high grade quality material compliant with ISI/BSI standards. • Optimum utilization of all resources, reduce wastage and promote recycling.
	c. **Logistics risks:** • use of outside transport sources	• Company has a dedicated transport group to handle all requirements relating to movement of its raw material, finished goods etc.
	d. Political and environmental risks: • Any adverse change in the political environment of the country, government policies related to steel industry etc. can have an impact in growth strategies of the company.	• Reviewing and monitoring the country's steel related industrial, labour and other related policies.
	e. Technological obsolescence/ technology 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. • Structured digital data base is maintained with adequate internal control/checks with time stamping.
	f. **Disaster risks:** natural risks like fire, floods , earthquakes	• The properties of the company are insured against natural risks, like fire, earthquakes, etc. with periodical review of adequacy, rates and risks covered. • Fire extinguishers have been placed at fire sensitive locations. • First aid training is given to watch and ward staff and safety personnel.

2	**Financial risks**	
	a. Credit risk: • Risk of financial loss to the company if a customer fails to meets contractual obligations	• Company is exposed to credit risk from its trade receivables, financial assets and other current assets equal to the carrying value of the financial assets. • Objective of managing credit risk is to prevent losses from financial assets. • The realization of trade receivables are in time and the history of trade receivable show no provision for bad and doubtful assets. Therefore, the company does not expect any material risks on account of non performance by any of the company's counter parties. • Systems put in place for assessment of creditworthiness of dealers/customers.
	b. Liquidity risk: • Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. • Maintaining sufficient liquidity both under normal and stressed conditions	• Prudent liquidity risk management implies maintaining sufficient cash and availability of funding by way of sanctioned credit facilities. • Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization. • Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc. • Monthly/quarterly cash flows are prepared and monitored at senior levels to access the fund requirements and ensure utilization of funds in an effective manner.
	c. Market risks • Risk of loss in future earnings, in realizable fair values or future cash flows that may result from a change in the financial	• The value of financial instrument may change as a result of changes in interest rate, foreign exchange rates, liquidity and other market changes. • The company is exposed to interest rate risk on its borrowings in rupees both fixed and

	assets.	floating rates. The company shall review the interest rate movements on quarterly basis and maintains adequate liquidity to meet the repayment obligations. • Currently the company's borrowings are within the acceptable risk levels, hence the company has not taken any swaps to hedge interest rate risks.
	d. Foreign exchange / currency risk	• The company does not have any foreign currency risk as there is no foreign currency transactions entered in to by the company having such risks.
	e. Financial reporting risks: • Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations creates uncertainty for the Company.	• The Company is committed to maintaining high standards of corporate governance and public disclosure and to comply with evolving laws, regulations and standards.
	f. Risk of corporate accounting fraud	• Conducting risk assessments, Enforcing and monitoring code of conduct for key executives • Instituting Whistleblower mechanisms. • Deploying a strategy and process for implementing the new controls • Adhering to internal control practices that prevent collusion and concentration authority • Employing mechanisms for multiple authorization of key transactions with cross checks • Creating a favorable atmosphere for internal

		auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organization.
3	**Other risks**	
	a. Human resource risk • Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc. • Unrest Risks due to Strikes and Lockouts	• Ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence. • Company has proper recruitment policy for recruitment of personnel at various levels in the organization. • Proper appraisal systems with the participation of the employee and consistent with job content, peer comparison and individual performance for revision of compensation on a periodical basis has been evolved and followed regularly. • Inculcate in employees a sense of belonging and commitment and also effectively train them in spheres other than their own specialization. • Activities relating to the Welfare of employees are undertaken. • Employees are encouraged to give suggestions and discuss any problems with their Superiors. • Efforts are made to keep cordial relations with employees at all level.
	b. Environmental risk management	• Installation of Effluent Treatment Plants at its manufacturing unit. • Extensive plantation of trees around manufacturing plants is undertaken for green belt development. • Focus on efficient operations of environment protection system and

		equipments.
	c. Legal risks	• Experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments. • Management places reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. Advisories and suggestions from professional agencies and industry bodies, chambers of commerce etc. are carefully studied and acted upon where relevant. • The Company has established a compliance management system in the organization and the Company secretary being the focal point; get the quarterly compliance report from unit head and being placed before the Board at every quarterly Board meeting of the Company.
	d. System risk: • System capability • System reliability • Data integrity risks	• EDP department maintains and upgrades the systems on a continuous basis with personnel who are trained in software and hardware. • The Company ensures Data Security, by having access control/ restrictions. • Data backups are taken regularly and in a methodical way. • Installation of antivirus software to create firewalls.
	e. Related party transactions	• All related party transactions are put through with prior approval of audit committee/ board.

		• Whether Omni bus approvals taken from audit committee/ board. • Whether all related party transactions are being reviewed by the audit committee on quarterly basis.

The above outlined risks are inclusive and not exhaustive

REVIEW & AMENDMENT TO THE POLICY

This Policy shall be reviewed by the Risk Management Committee, at such interval as it thinks fit. Amendments (if any) in the Policy shall be approved by the Board on the recommendation of Management Committee.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees 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 or its 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.

This Policy has been adopted by the Board of the Company at its Meeting held on 30.05.2023.