



APL Apollo Tubes Limited

Enterprise Risk Management Policy

March 2026

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Chapter 1: Purpose, Scope, and Applicability

A. Background

Risk Management is an integral part of an effective management practice. There is a strong correlation between risk and opportunity in all business activities and it is very important that a company identifies, measures, and manages the risk so as to capitalize on the opportunities to achieve its strategic objectives and goals. Rapid and continuous change in the business environment, has made it imperative for management to become more risk focused.

The Securities and Exchange Board of India (SEBI) has included Risk Management as part of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI (LODR)") and as per the Companies Act 2013 ("the Act"), there are specific requirements that a company needs to comply with. In addition, the Board of Directors and Risk Management Committee have been vested with specific responsibilities in assessing the robustness of risk management policy, process and systems.

In the context of the above, it is imperative APL Apollo Tubes Limited ("the Company") develop a proper framework to effectively manage the risks.

Key compliance requirements (Extracts)

- Section 134 of the Act: The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company.
- Section 177 of the Act: The 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
- Schedule IV to the Act: Independent Directors should satisfy themselves that the systems of risk management are robust and defensible
- Regulation 21 of SEBI (LODR):
 - ✓ The board of directors shall constitute a Risk Management Committee.
 - ✓ The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee.

- ✓ The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

B. What is risk management?

Risk is any event/non-event, the occurrence/non-occurrence of which can adversely affect the objectives of the Company. These threats may be internal/ external to the Company, may/may not be directly influenced by the Company and may arise out of routine/non-routine actions of the Company.

Risk Management is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on mitigations to and reporting on the opportunities and threats that may affect the achievement of its objectives.

Risk management is the coordination of activities that direct and control the department/ Company with regard to risks. It is commonly accepted that risk management involves both the management of potentially adverse effects as well as the realization of potential opportunities. In performing our daily activities and responsibilities, risk management can be described as the collection of deliberate actions and activities that we carry out at all levels to identify, understand and manage risks to the achievement of our objectives.

C. Benefits of risk management

The benefits of embedding risk management at all levels of the Company are:

- Effective management of adverse events or opportunities that impact on our purpose and objectives.
- Ability to make informed decisions regarding management of potential negative effects of risk and take advantage of potential opportunities.
- Improved planning and performance management processes — enabling us to focus on core business service delivery and implement business improvements.
- Ability to direct resources to risks of greater significance or impact.
- Greater organizational efficiencies through avoiding 'surprises'.
- Creation of a positive organizational culture in which people understand their role in managing risks.
- Contributing to the achievement of objectives.

D. Purpose

The purpose of the Enterprise Risk Management Policy and Procedures is to:

- Define the vision for risk management at the Company.
- Establish a governance framework, policies, and procedures to manage risk across the Company.
- Ensure that to the extent possible the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.
- Gain a shared understanding of risks and foster a culture that focuses on risk management.

E. Scope

The Enterprise Risk Management Policy and Procedures (“the Risk Management Framework”) is designed to work within the existing governance structure of the Company and support the achievement of the Company’s strategic objectives. The Company will apply an enterprise-wide approach to the management of risk by:

- Proactively identifying risk
- Effectively and efficiently managing its risks to within acceptable levels
- Providing regular feedback and status reports on risk management
- Encouraging the development of a “risk culture”

F. Applicability

Refer Risk Management Charter

G. Effective Date

This version of updated APL Apollo Tubes Limited’s ERM Policies and Procedures were approved by the RMC and Board on 14 March’26, respectively.

H. Approvals and Revisions

The ERM Policies and Procedures will be reviewed at least once in two years. Proposed amendments to the procedures will be submitted to the Risk Management Committee for approval.

Chapter 2: APL Apollo Tubes Limited Risk Management Framework

The Company's Risk Management Framework incorporates leading risk management standards and practices. In developing the Risk Management Framework, the focus has been to design a process that addresses the Company's business needs while remaining simple and pragmatic.

The Company's Risk Management Framework outlines the series of activities that the Company will use in identifying, assessing, and managing its risks.

The Risk Management Framework at the Company consists of two key components:

- **Risk management process:** the steps and activities that the Company will employ to identify, prioritize, and manage risks; and
- **Risk management structure:** the enablers that facilitate the implementation of the process.

A. Risk Management Process

The Company has established its strategic objectives through the Strategic Plan. The Company recognizes that these strategic objectives will generate risks which need to be assessed and successfully mitigated, so that they do not adversely impact achievement of its strategic objectives.

Risk Management within the Company is the responsibility of all of its employees, and the proactive identification of Risk will be actively encouraged and supported.

1. Risk Assessment

Risk assessment consists of three steps:

a) Risk Identification:

It involves identifying relevant risks that can adversely affect the achievement of the Company's objectives. Risk identification is an iterative process (it is not a one off event, but must be repeated on a periodic basis) and should address both internal and external risks to the Company. No one individual will possess the breadth of knowledge required to identify all the risks that the Company may face, the impacts they may have. The success of this phase relies on involvement across the entire group and stakeholders. The aim is to develop a comprehensive list of sources of risk and events that might have an impact on Company's outputs, objectives or outcomes. When describing a risk event, it is important to outline how the risk event might happen, why the risk event may happen, and who or what it may happen to. There are numerous methods to assist in the identification of risks. A combination of some of the following methods may be useful to identify risks:

- analysing research material and extensive data base information;
- examining previous risk analyses;
- interview/focus groups;
- personal experience;
- brainstorming;
- survey, questionnaire;
- external research, consultants;
- strengths, weaknesses, opportunities and threats (SWOT) analysis;

All the key risks identified and assessed as above shall be captured in Risk register which acts as a repository of the nature and status of the key risks and controls.

b) Risk Analysis and Prioritization:

This involves:

- Understanding the impact and likelihood of risks along with the root causes, and the level of mitigations that the Company can implement to minimize the risk.
- Prioritizing risks based on the relevance to the Company, depending upon their ability to adversely impact the achievement of the Company's strategic objectives.

Risk rating /rating criteria indicate the range for measuring impact of occurrence of a risk event (3 scale matrix), probability of occurrence (3 scale matrix) and effectiveness of mitigation plan (3 scale matrix).

- Two variants of risk rating criteria included are:
 - ✓ Quantitative: Risks are rated purely on the basis of financial impact and likelihood.
 - ✓ Qualitative: Risks are rated on the basis of impact on factors affecting operational effectiveness / reputation and likelihood

Risk assessment criteria provides a common set of parameters against which to assess risks. Risks at the Company are assessed according to the two criteria, Impact and Likelihood:

Impact Scale

The definitions and limits for the impact is laid out in the table below.

The limits can be reviewed and revised by the Risk Management Committee at such periodic intervals as is considered necessary.

Score	Impact rating	Quantitative		Qualitative
		Revenue Impact	EBIT Impact	Description
15	High	Above 2%	Above 5%	Constrained ability/inability to achieve business objectives, e.g. <ul style="list-style-type: none"> • Loss of significant business opportunity • Significant reduction in company credibility and/ or reputation • Excessive cost dramatically impacting long term profitability and viability • Inability to retain a significant portion of customers/ inability to attract new customers • Significant operational losses leading to significant reduction of market value • Significant reduction in service and/or business capability • Loss of significant number of key personnel • Loss / misappropriation / downgrading of significant assets
10	Moderate	1% to 2%	Upto 5%	Moderate impact on achievement of business objectives, e.g. <ul style="list-style-type: none"> • Loss of high value customers or alliances, customer loyalty and sales opportunities • Temporary loss of service and/or business capability • Temporary but recoverable reduction in company credibility • Short term increase in costs or loss of revenue
5	Low	< 1%	No impact	Limited/no impact on the achievement of business objectives, e.g. <ul style="list-style-type: none"> • Temporary delay in reaching objective • Limited impact on customer retention • Limited increase in costs • Minimal impact to revenue or earnings

- Quantitative parameters will be finalized based on risk appetite and risk tolerance.
- Qualitative parameters will be customized year on year considering Company's objectives.

Likelihood Scale

It refers to the probability of risk to occur which leads to assessed impact.

Score	Rating	Percentage of chance
15	Likely	Above 50%
10	Possible	11% to 49%
5	Unlikely	Upto 10%

The likelihood of the risk is subjective in nature and will be agreed upon through discussion with the Internal Risk Committee, based on the probability of occurrence of the risk event.

Gross Risk:

Prioritizing risks based on their level of importance to the Company as defined by their ability to adversely impact the achievement of the Company's strategic objectives.

Gross risk is the risk that an activity would pose if **no controls** or no other mitigating factors were in place.

	Impact (Score)		
Likelihood (Score)	Low (5)	Moderate (10)	High (15)
Likely (15)	M	H	H
Possible (10)	L	M	H
Unlikely (5)	L	L	M

Level of Risk	Description	Gross Risk (Impact * Likelihood)
High	Senior management attention needed to develop and possibly initiate action steps in the near future	Over 100
Moderate	Functional head attention needed	51 to 100
Low	Manage by routine procedures	Less than 51

2. Risk Treatment and Mitigation:

Risk mitigation consists of determining the appropriate action to maintain risk within the levels defined by the Company's risk appetite. Appropriately responding to risks involves identifying existing mitigation strategies and the need for any additional mitigation. Accordingly, ownership and responsibilities for the risk mitigation plans are articulated and approved.

a) Risk Treatment Options

Based on the assessment of the gross risk, risk treatment will be decided by the Internal Risk Committee, by assessing the gross risk in comparison risk appetite of the Company. The treatment will have following options:

- **Avoid** – Risk avoidance involves taking the decision not to engage in any event that may result in the risk event.
- **Accept/Retain** – Accepting/ retaining a risk is choosing to face the risk, if it is within the risk appetite of the company.
- **Mitigate/Reduce** – Risk mitigation reduces the probability or impact of a potential risk event to a more acceptable level.
- **Transfer/Share** – Risk transfer involves shifting the impact of a risk event and the ownership of the risk mitigation to a third party.

b) Risk Mitigation Effectiveness

For each risk, the existence of each mitigation option will be considered. Once the mitigation strategies for each risk are identified by mitigation option, their effectiveness will be assessed according to the following criteria. This can be evolved as the risk management process gets embedded and matured.

Mitigation effectiveness Score	Control effectiveness rating	Description
1 (below 35%)	Need Improvement	- Mitigation plans do not exist; - Mitigation plans are ad-hoc, without formal documentation
2 (36% – 70%)	Reasonably Adequate	- Documented mitigation plans exist but the risk is partially covered.
3 (Above 70%)	Effective	- Mitigation plans are duly documented, and the risks are covered to a large extent.

In case of multiple mitigations to a risk, weighted product method must be applied, with weights being 1 to 5 (1 lowest influence on risk, 5 being highest influence on risk). For example, mitigation effectiveness in below scenario will be 'Reasonably Adequate' ($23/36 = 64\%$)

Mitigation	Weight (out of 5)	Max Score (Weight * 3)	Mitigation effectiveness	Score obtained (Weight * Score obtained)
Mitigation 1	5	15	2	10
Mitigation 2	4	12	1	4
Mitigation 3	3	9	3	9
Total		36		23 (64%)

c) Residual Risk:

Residual risk is the risk that an activity would pose **controls** or other mitigating factors were in place and to the extent effective. Control and other mitigating factors will have an impact on risk level as below:

Mitigation plan effectiveness	Inherent Risk rating		
	Low	Moderate	High
Need Improvement	L	M	H
Reasonably Adequate	L	L	H
Effective	L	L	M

3. Risk Monitoring and Reporting

Risk monitoring and reporting consists of providing the Risk Committee and Senior Management with information on the Company’s risk profile and the status of risk mitigation plans in accordance with the procedures outlined in this document.

B. Risk Management Structure

The risk management process at the Company is supported by a set of enablers that embed risk management into the Company’s business processes. The enablers consist of:

- a) **Risk Management Governance & Communication Structure:** Defines top down and bottom-up approach to design, govern and implement the risk management framework at various organization levels within the Company as well as provides the structure for overseeing those activities.

The Company’s risk governance structure provides a mechanism through which risks are reviewed and aggregated upwards through the organization structure. Review and aggregation enables executives to interrogate and analyze Company’s risk profile from the perspectives of different levels of management.

Internal Communication enables the collation and dissemination of risk information and ensure that risk information is available to the appropriate audience in a clear, precise, concise, and timely manner.

b) Risk Management Governance and communication matrix

Owner	Timing or Trigger	Audience	Purpose	Key Components
Risk Management Committee	Half Yearly	Board of Directors	<ul style="list-style-type: none"> To update on matters it has considered for risk profile of the Company 	
Internal Risk Committee	Quarterly	Risk Management Committee	<ul style="list-style-type: none"> To provide an update on APL Apollo Tubes risk profile To provide update on previous RMC meeting action plan 	<ul style="list-style-type: none"> Key mid to long term risks Action plan status KRIs Emerging risks, if any

Function Heads	Quarterly	Internal Risk Committee	<ul style="list-style-type: none"> To provide an update on the Functional risk profile To update on minutes of previous meetings on RM 	<ul style="list-style-type: none"> Top risks Risk Root Causes KRIs Mitigation Strategies Action Plan Status Emerging Risks, if any Inherent risks perceived by senior management
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c) Composition of various organization levels in the governance structure is as follows:

Org Level	Composition
Risk Management Committee	As directed by board
Internal Risk Committee	CFO, Director (Operations), CSMO, CHRO, CIO, CRO
Functional Risk Management	CFO, Director (Operations), CSMO, CHRO, CIO, CRO, Procurement, CS

4. Risk Categorization:

a. Strategic Risks

Strategic Risks that may arise from the decisions and actions a company takes to achieve its desired future state.

b. External risks

External Risk arises out of uncontrollable factors from outside the organization like downturn in the economy, adverse policies or regulatory framework or even natural disasters.

c. Operational Risks

Operations refer to the activities of a company in harnessing its resources to execute its business model. Operational risk includes risks arising from the failure of resources and processes which come together to create solutions and provide services that satisfy customers and help achieve the company's service assurance, cost and time performance objectives.

d. Compliance Risks

It includes risks which arise due to a company's inability to comply with applicable laws, regulations and contractual terms and conditions.

Risk Policy and Procedure revision history

Version	Date	Revision Description
1	March 14, 2026	Revision in the framework
1	March 14, 2026	Approved by the RMC