KENT R O SYSTEMS LTD

RISK MANAGEMENT POLICY

Revision History

Date	Author	Section	Change Description	Reason for Change	Version
8th Jan 2025	PK Trivedi	Complete Policy	New policy drafted	NA	v1.0

INTRODUCTION

This Risk Management Policy ("Policy") of Kent R O Systems Limited ("Company") is formulated in accordance with the Companies Act, 2013 and Regulation 21(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), which requires companies to:

1. Formulate a comprehensive Risk Management Policy, including:
    - A framework for identifying internal and external risks, including financial, operational, sectoral, sustainability (Environment, Social, and Governance-related risks), information, cyber security, legal and regulatory risks, and other risks as determined by the Risk Management Committee.
    - Measures for risk mitigation, including systems and processes for internal control of identified risks.
    - A business continuity plan.
2. Ensure regular monitoring and oversight of risk management systems.

SCOPE

This policy aims to provide a structured framework for effective risk management. It acknowledges that risks cannot be entirely eliminated but seeks to minimize their adverse effects while maximizing opportunities.

The goal is to embed a risk-conscious culture within the organization, ensuring proactive risk management as part of the Company's decision-making processes.

CONSTITUTION OF THE RISK MANAGEMENT COMMITTEE

1. **Establishment of Committee**:
   The Risk Management Committee is constituted as per the requirements of the Listing Regulations. The Terms of Reference and this Policy collectively guide its functioning.
2. **Authority to Reconstitute**:
   The Board reserves the right to reconstitute the Risk Management Committee as deemed appropriate.
3. **Key Responsibilities**:
    - Formulate a detailed Risk Management Policy covering:
        - Framework for identifying internal and external risks specifically faced by the entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
        - Measures for risk mitigation including systems and processes for internal control of identified risks.
        - Business continuity plans.
    - Ensure effective monitoring and evaluation of risks associated with the Company's business.
    - Oversee the implementation of of the risk management policy including evaluating risk management systems and reviewing their adequacy periodically.
    - The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
    - Keep the Board informed about significant risks, discussions, recommendations, and actions.
    - 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.

PHILOSOPHY AND APPROACH TO RISK MANAGEMENT

Risk management is integral to the Company's strategy and achieving its long-term goals. The success of the Company depends on its ability to identify, assess, and manage risks effectively while leveraging associated opportunities.

Objectives of Risk Management:

1. To safeguard the interests of stakeholders by mitigating risks that could hinder the achievement of strategic and operational objectives.
2. To ensure compliance with applicable laws, regulations, and internal policies.
3. To create a risk-aware culture that facilitates proactive identification and management of risks.

RISK MANAGEMENT PROCESS

1. Identify Risks

Risks are identified through various sources such as internal and external audits, regulatory reviews, and ongoing assessments. The risks are categorized broadly as follows:

Risk Category	Potential Risks (Examples)
Strategic and Sustainability Risks	Business disruption due to natural disasters, geopolitical conflicts, or economic instability; technological obsolescence; environmental, social, and governance (ESG) risks.
Reputational and Informational Security Risks	Brand equity and reputation damage due to social media risks, code of conduct violations, or misaligned brand perception.
Compliance Risks	Legal or regulatory non-compliance, intellectual property infringement, counterfeit products, or failure to adhere to company policies.
Operational Risks (including Cyber Security Risks)	Dependency on single vendors, supply chain disruptions, cyber threats, employee attrition, or inadequate business continuity plans.
Financial Risks	Risks related to currency fluctuations, credit risks, commodity price changes, or interest rate variations.
Sectoral Risks	These risks can arise from various factors specific to the water treatment industry and the broader economic, regulatory, and environmental landscape in India.

2. Analyse and Evaluate Risks

- **Risk Analysis**: Identify existing controls and evaluate their effectiveness in mitigating identified risks.
- **Risk Evaluation**: Assign risk ratings based on the likelihood and potential impact of events.
- **Risk Ownership**: Each risk is assigned to a designated "Risk Owner," who is responsible for managing and mitigating it.

3. Risk Treatment and Control

Risk Owners shall take one of the following actions based on the Company's risk appetite:

1. **Avoid**: Cease activities that introduce unacceptable risks.
2. **Transfer**: Share risks with third parties through contracts, insurance, or financial instruments.
3. **Reduce**: Minimize the likelihood or impact of risks by implementing additional controls.

4. **Accept**: Retain the risk after evaluating its implications and making informed decisions.

A **Risk Treatment Plan** shall be prepared, outlining specific actions, timelines, and accountability. Approval from Risk Owners shall be obtained for the treatment plan.

4. Monitor and Review

- Regular monitoring and review (at least annually) shall ensure the effectiveness of risk treatment plans.
- Progress reports on risk mitigation efforts shall be periodically presented to the Risk Management Committee and the Board.

5. Reporting and Communication

- Risk Reporting involves evaluating and presenting information about identified or emerging risks to the relevant stakeholders.
- Communication ensures that the risk management process is transparent and that all key stakeholders are kept informed.

STRUCTURAL ELEMENTS

1. **Governance Framework:**
   The Company's governance structure is designed to address key risks and aligns with applicable Indian laws and global best practices.
2. **Vision and Strategy:**
   Risk management is embedded within the Company's vision, strategy, and operational objectives.
3. **Code of Conduct and Policies:**
   The Code of Business Principles defines the standards of behaviour expected across the organization. Policies are in place to address key areas such as health and safety, environmental compliance, ethical conduct, and financial reporting.
4. **Performance Management:**
   Risk management is integrated with operational processes and performance monitoring mechanisms.

IMPERATIVES FOR MANAGEMENT

1. **Accountability:**
   Each manager must identify and manage risks within their roles and responsibilities.
2. **Risk Appetite:**
   Managers must determine acceptable risk levels after implementing controls.
3. **Mitigation Measures:**
   Adequate controls must be implemented to manage risks effectively.

RISK OVERSIGHT

1. **Board of Directors:**
   The Board is responsible for framing, implementing, and monitoring the Company's Risk Management Policy. It shall meet at least once annually to review top risks and mitigation plans.
2. **Audit Committee:**

3. The Audit Committee shall meet at least four times once in a year to oversee the risk management and internal control arrangements and shall also evaluate internal financial

controls and risk management systems of the Company.

4. **Risk Management Committee**:
   The Committee assists the Board in framing and implementing the Risk Management Policy. It serves as a platform for managing key strategic and operational risks.

BUSINESS CONTINUITY PLAN

The Company shall define Business Continuity Plans (BCP) for high-impact risks, ensuring rapid response to mitigate the effects of such risks. These plans shall form part of the Company's Internal Controls and Crisis Management Framework.

AMENDMENTS TO THE POLICY

The Company is committed to reviewing and updating the Risk Management Policy periodically and at least once every two years. Amendments to this Policy may only be made through a resolution passed by the Board of Directors. Any changes shall be promptly updated on the Company's website. The Board is, subject to applicable laws, entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy. In the event of any conflict between the provisions of this Policy and of the applicable law, such applicable law in force from time to time shall prevail over this Policy.