

KICL'S RISK MANAGEMENT POLICY

OBJECTIVE AND SCOPE

The Risk Management Policy ("Policy") is formulated under the requirements of Regulation 21(4) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The objective of this document is to articulate an effective Risk Management Policy and process for Kothari Industrial Corporation Limited (Herein after referred to as KICL or Company) to promote a proactive approach in identifying, evaluating, reporting, and mitigating risks associated with the business and, in turn to ensure sustainable business growth with stability.

This Policy has been specifically designed to achieve the following objectives:

- Ensure achievement of the Company's VISION and MISSION in line with its core values;
- Enable compliance with appropriate regulations and adoption of leading practices;
- To establish a framework for the company's risk management process and to ensure its implementation.
- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- Anticipate and respond to changing economic, social, political, technological environmental and legal conditions in the external environment.

REGULATORY REQUIREMENTS

As per Regulation 17(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, every listed company is required to define and adopt a Risk Management Policy covering the framework for identification, assessment, mitigation, and monitoring of key business risks.

Further as per Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the constitution of a Risk Management Committee is applicable to the Top 1000 listed entities, determined on the basis of market capitalisation at the end of the 31st December every year.

As per section 134(3)(n) of the Companies Act, 2013, a company is required to include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

Therefore the board of directors, the audit committee and the risk management committee is responsible to ensure that the company has a robust Risk management framework and monitor its effectiveness on periodic basis.

APPLICABILITY

This Risk Management Policy applies to all Business Units, Divisions, and functions of KICL, as per current and revised organizational structures that would evolve from time to time. For subsidiaries, joint ventures, and associate companies, the respective board of directors shall be primarily responsible for risk oversight. However, the Risk Management Committee may periodically review the risk management of KICL group companies.

KEY DEFINITIONS

Risk - An event or condition that may negatively impact the achievement of business objectives.

Risk Management – A structured process to identify, assess, mitigate, monitor, and report risks

Risk Identification - The systematic process of recognising and documenting potential events or conditions that may adversely affect the achievement of business objectives.

Risk Assessment - The evaluation of identified risks by analysing their likelihood of occurrence and potential impact, enabling prioritisation for further action.

Risk Analysis - A detailed examination of the root causes, consequences, and characteristics of a risk to determine its significance and inform appropriate responses.

Risk Mitigation - The development and implementation of measures aimed at reducing the likelihood and/or impact of identified risks to acceptable levels

Risk Appetite - The level and type of risk that the organisation is willing to accept in pursuit of its strategic and operational objectives.

Risk Tolerance - The permissible variation from expected performance levels within which the organisation can operate without compromising its objectives.

Incident/ Risk event - An occurrence—anticipated or unanticipated—that has resulted in, or has the potential to result in, adverse effects on business operations or objectives.

Risk Register - A formal, structured repository containing details of identified risks, their assessment, mitigating controls, ownership, and current status.

Key Risk Indicators - Quantitative or qualitative metrics used to provide early warning signals regarding increasing risk exposures or emerging threats.

Risk Owner - The individual or function accountable for managing a specific risk, including implementing mitigation measures and ensuring ongoing monitoring.

RISK MANAGEMENT COMMITTEE (RMC)

COMPOSITION

- The RMC shall have a minimum of three members, with a majority of them being members of the Board of Directors, including at least one Independent Director.
- In case the company has outstanding Superior Rights equity shares, at least two-thirds of the RMC shall consist of Independent Directors.
- Senior executives may be appointed as members of the Committee as appropriate.
- The Chairperson of the Committee shall be a member of the Board (need not be a Independent Director) and senior executives of the listed entity may be members of the committee

ROLES AND RESPONSIBILITIES

- Review and recommend the Risk Management Policy and framework to the Board.
- Monitor and review key risks, including strategic, operational, financial, compliance, and emerging risks.
- Oversee the design and effectiveness of risk mitigation plans and monitor closure of action items.
- Review the risk register, risk reporting, and Key Risk Indicators (KRIs).
- Specifically oversee cybersecurity risks, as mandated under Regulation 21(4).
- Seek information from management, obtain external professional advice, or invite experts as required.
- Report major risk issues and recommendations to the Board on a periodic basis.

POWERS OF RMC

- Seek information from any employee of the Company.
- Obtain outside legal or other professional advice (e.g., cyber experts, consultants) as it considers necessary.
- Secure attendance of external experts/outside with relevant expertise at its meetings, when required.
- RMC shall recommend appointment, removal and fixing of terms of remuneration payable to the Chief Risk Officer (if any).
- Has the authority to recommend changes to the company's risk appetite and tolerance levels
- Can report directly to the Board of Directors on significant risk issues without management filtering

MEETING

RMC must meet at least twice in a financial year. Gap between two meetings must not exceed 210 days.

QUORUM OF THE MEETING

Two members or one-third of the members, whichever is higher, with at least one Board member present.

REPORTING BY RMC

The Risk Management Committee shall submit its reports, including key findings, risk reviews, cybersecurity risk updates, and recommendations, to the Board of Directors for their consideration, oversight, and final decision-making, as required under Regulation 21 of SEBI (LODR) Regulations.

RISK MANAGEMENT PROCESS

RISK IDENTIFICATION

The RMC shall identify internal and external risks across key areas such as financial, operational, sectoral, ESG, information security, and cyber risks, as required under SEBI's risk management framework. This will be done through periodic assessments, inputs from business functions, and reviews of industry and regulatory developments to ensure comprehensive coverage. All identified risks shall be recorded in the Risk Register for prioritisation and monitoring, enabling early detection of emerging risks.

RISK ASSESSMENT

The RMC shall ensure that appropriate processes, systems, and tools are in place to analyse and prioritise risks for effective treatment. Each risk shall be rated and categorised to determine its significance and the urgency of mitigation actions. This assessment process enables informed decision-making and ensures that critical risks receive focused attention.

RISK MITIGATION

The RMC shall oversee the adequacy and effectiveness of these mitigation actions and ensure that suitable methodologies, processes, and systems are in place to address the identified risks. Mitigation efforts shall be regularly updated based on evolving business needs, regulatory changes, and emerging threats. This process ensures that risks are reduced to acceptable levels and that the organization remains resilient.

Risk mitigation methods:

- Avoidance – eliminate activities that carry unacceptable risk.
- Reduction – apply controls and preventive measures to lower risk impact.
- Transfer – shift risk through insurance or outsourcing.
- Diversification – spread exposure across products, markets, or suppliers.
- Hedging – use financial instruments to manage market risks.
- Contingency Planning – maintain business continuity and disaster recovery plans.



- Monitoring – track risks with indicators and early warning systems.

IMPLEMENTING CONTROLS

The RMC oversee the adequacy of these controls and verify that systems and processes are in place to support ongoing risk management, as required under SEBI's framework for evaluating internal control effectiveness. Controls shall be periodically strengthened based on monitoring outcomes, audit findings, and evolving business or regulatory requirements to ensure risks remain within acceptable levels.

MONITORING CONTROLS

The RMC shall periodically review the risk management and internal control systems as required under SEBI's framework and recommend enhancements where needed. The Risk Register and policy shall be reviewed regularly, including annually, to reflect changing business and regulatory conditions

RISK REPORTING

The RMC is required under SEBI's framework to keep the Board informed about the nature of its discussions, recommendations, and actions to be taken, ensuring transparency and effective oversight. Periodic updates shall be drawn from the Risk Register and monitoring reviews to support informed decision-making and strengthen overall governance.

RISK FACTORS

The Company faces risks across financial, operational, regulatory, strategic, and reputational domains, which are continuously identified, assessed, and mitigated under the approved Risk Management Policy.

A. EXTERNAL RISK FACTORS - These are risks that originate within the organization. They are generally easier to control because they depend on internal processes, people, systems, or decisions.

- i. Economic Environment and Market conditions
- ii. Political Environment
- iii. Competition
- iv. Revenue Concentration and liquidity aspects
- v. Inflation and Cost structure
- vi. Technology Obsolescence
- vii. Legal

B. INTERNAL RISK FACTORS - These originate outside the organization and are usually harder to control. Organizations must monitor these continuously to prepare for changes.

- i. Project Execution
- ii. Contractual Compliance



- iii. Operational Efficiency
- iv. Hurdles in optimum use of resources
- v. Environmental Management
- vi. Human Resource Management
- vii. Culture and values

RISK OVERSIGHT

ROLE OF THE BOARD OF DIRECTORS

The Board shall provide overall oversight of the Company's risk management framework and ensure a robust governance structure. It is responsible for constituting the Risk Management Committee (RMC) and defining its roles and responsibilities as required under SEBI LODR.

The Board also reviews updates from the RMC, ensures alignment of risk management with business strategy, and supports adequate resourcing for enterprise-wide risk mitigation

ROLE OF THE AUDIT COMMITTEE

The Audit Committee shall work in coordination with the Risk Management Committee wherever audit and risk oversight activities overlap, as required under SEBI's RMC framework.

Its role includes reviewing internal controls, financial risk exposures, and ensuring the effectiveness of the internal audit system that supports the Company's risk management structure.

ROLE OF SENIOR MANAGEMENT

Senior Management shall be responsible for implementing the risk management policy, establishing appropriate systems and processes, and ensuring that key risks are identified, assessed, and effectively mitigated. SEBI requires the RMC to monitor and oversee implementation of the risk management policy, which is executed by Senior Management.

They must support data, resources, and reporting necessary for the RMC and Board to carry out their risk-oversight responsibilities.

ROLE OF SUPPORTING STAFF

Supporting staff shall assist Senior Management and the Risk Management Committee by providing accurate operational data, timely reports, and relevant documentation required for effective risk identification, assessment, and monitoring. They are responsible for adhering to internal control procedures, promptly escalating observed risks or incidents, and supporting the implementation of approved mitigation measures across their respective functions. Supporting staff must cooperate during audits, reviews, and risk evaluations and participate in training or awareness programs to ensure compliance with the Company's risk management framework. Their role ensures smooth execution of day-to-day risk processes and strengthens organization-wide risk ownership.

BUSINESS CONTINUITY PLAN

The Company shall maintain a Business Continuity Plan to ensure uninterrupted functioning of critical operations during unforeseen disruptions. The plan will identify essential processes, establish alternate work arrangements, and safeguard data through secure backup and recovery protocols. It will also define crisis management roles, communication channels, and escalation procedures. The Risk Management Committee shall oversee the development, implementation, and periodic testing of the plan, review its effectiveness, and report significant findings to the Board. Regular simulations and updates will be conducted to strengthen resilience and protect stakeholder interests.

POLICY REVIEW

This Policy is framed based on the provisions of the Listing Regulations.

In case of any subsequent changes in the provisions of Listing Regulations or any other applicable law which make the provisions in the Policy inconsistent with the Listing Regulations or any other applicable law, the provisions of the Listing Regulations and such law shall prevail over the Policy and the provisions in the Policy shall be modified in due course to make it consistent with the law.

The Policy shall be reviewed once in every two years by the Risk Management Committee. Any changes or modification to the Policy shall be recommended by the Committee and be placed before the Board of Directors for approval.