EVEREST KANTO CYLINDER LIMITED

RISK MANAGEMENT POLICY

About Everest Kanto Cylinder Limited

Everest Kanto Cylinder Limited, established in 1978, is a clean energy solutions company and a leading global manufacturer of seamless steel gas cylinders with over 30 million industrial gas and CNG cylinders currently in service. EKC operates two manufacturing facilities in India located at Tarapur (Maharashtra) and Kandla SEZ (Gujarat) and two international facilities at Jebel Ali Free Zone in Dubai and Pittsburgh (PA), USA, with aggregate capacity of over 900,000 cylinders annually. EKC's product range of industrial, CNG and jumbo cylinders is used for high pressure storage of gases such as oxygen, hydrogen, nitrogen, argon, helium, air etc and finds applications in a wide variety of industries such as manufacturing, fire equipment/suppression systems, medical establishments, aerospace/ defence and automobiles apart from some specialized usage areas. Given its strong position in the Indian domestic market and wide acceptance across several key international markets built over the last four decades, EKC is poised to benefit from the increasing usage of gases in industrial production and automobile sectors based on both economic and environmental considerations.

Everest Kanto Cylinder Limited ("the Company") considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives. 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.

<u>Introduction</u>

Purpose and Scope of the Policy

Risk is an inherent aspect of the dynamic business environment. The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues

The specific objectives of this Policy inter alia are:

- 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.

- To establish a framework for the company's risk management process and to ensure its implementation.

- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

- To assure business growth with financial stability

<u>Legal Framework</u>

Requirement as per Companies Act, 2013

Responsibility of the Board: As per Section 134 (3) 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.

Responsibility of the Independent Directors: As per Schedule IV of the Act, [Section 149(8)] - Independent directors shall help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct; Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

Requirement of Securities And Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015

The company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

Securities And Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 ("SEBI LODR") across its different clauses, lays greater stress on risk policy being one of the vital functions of Board and requires that –

- The board shall ensure that, while rightly encouraging positive thinking does not result in over-optimism that either leads to significant risks not being recognized or exposes the entity to excessive risk.
- Disclosures in annual report - Risks & concern.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

Definitions

Company: Means Everest Kanto Cylinder Limited

Risk Management Committee: Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the SEBI LODR.

Board of Directors / Board: As per Section 2 of "The Companies Act, 2013", in relation to a Company, means the collective body of Directors of the Company.

RMP / Policy: Risk Management Policy

Risk: Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

- Strategic Risks are associated with the primary long-term purpose, objectives and direction of the business.
- Operational Risks are associated with the on-going, day-to-day operations of the enterprise.
- Financial Risks are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.
- Knowledge Risks are associated with the management and protection of knowledge and information within the enterprise.

  Inherent Risks: The risk that an activity would pose if no controls or other mitigating factors were in place (the gross risk or risk before controls). The risk management process focuses on areas of high inherent risk, with these documented in the Risk Register.

Residual Risks: Upon implementation of treatments there will still be a degree of residual (or remaining) risk, with the expectation that an unacceptable level of residual risk would remain only in exceptional circumstances.

Risk Appetite: Risk appetite is the amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

Applicability

This Policy shall come into force with effect from April 01, 2021.

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 Board of Directors as stated above, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management 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. The key elements of the Company's risk management program are set out below.

Risk Identification

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

The Company majorly focuses on the following types of material risks:

1. Commodity risk;
2. Supply chain Risk
3. Business risk;
4. Foreign exchange risk;
5. Technological risks;
6. Strategic business risks;
7. Operational risks;
8. Quality risk;
9. Warranty risk;
10. Competition risk;
11. Realization risk;

12. Cost risk;
13. Financial risks;
14. Human resource risks;
15. IT (Information Technology) risks including System Software;
16. Legal/regulatory risks.

<u>Oversight and management</u>

Board of Directors

The Board of Directors ("the Board") is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committees and Senior Management. The Committees or Management may also refer particular issues to the Board for final consideration and direction.

Risk Management Committee

The day to day oversight and management of the Company's risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

1. managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
2. setting up internal processes and systems to control the implementation of action plans;
3. regularly monitoring and evaluating the performance of management in managing risk;
4. providing management and employees with the necessary tools and resources to identify and manage risks;
5. regularly reviewing and updating the current list of material business risks;
6. regularly reporting to the Board on the status of material business risks;
7. review and monitor cyber security; and
8. ensuring compliance with regulatory requirements and best practices with respect to risk management.

Further, the Company is exposed to supply chain risks on a routine basis due to multiple Raw materials (imported or domestically procured) utilized in its manufacturing operations. Such risks are managed by a detailed and regular review at a senior level of various factors that influence the gas cylinders prices as well as tracking the cylinder prices on a daily basis and entering into fixed price contracts with overseas suppliers in order to hedge price volatility.

Senior Management

The Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.

Employees

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

Review of Risk Management Program

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees responsible for its implementation.

Risk Management System

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements: –

1. Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
2. A combination of centrally issued policies and divisionally-evolved procedures bring robustness to the process of ensuring business risks are effectively addressed.
3. Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high risk profiles.
4. A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews Internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses. The Senior Management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Amendment:

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.

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