RISK MANAGEMENT POLICY

This is in compliance with clause 49 of Listing Agreement entered into between Kwality Limited (hereinafter referred to as the **"Company"**) and Stock Exchange(s), and the provisions of Companies Act, 2013 which requires the company to lay down Risk Management Policy (hereinafter referred to as **"Policy")**.

Introduction

Company recognizes risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder/stakeholder value.

The Company's risk management policy outlines the program implemented by the company to ensure appropriate risk management within its systems and culture.

Scope of Policy

This Policy applies to all employee(s), whether full time, part time, contractual or casual basis at all levels within the Company. The Policy also applies to contractors and consultant working for and on behalf of the Company.

Definition

This policy defines the following key terms:-

Risk is defined as the chance of happening a future event(s) or situation(s) which may have an impact upon company's objective(s)/reputation favorably or unfavorably both ways. It is measured in terms of consequences and likelihood.

Risk Capacity

Risk capacity shows how much risk the Company can absorb.

Risk Appetite

Risk appetite shows how much risk the Board of Directors and/or management of the Company, as the case may be, are willing to accept.

Risk Management encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

Risk Categories

The risk management framework within the Company and its associates companies may be varied upon different circumstances. However, the various risks which may be faced by the Company can be categorized as into following broad categories:

- Corporate including financial, Human Resource & Information Technology and
- Operational;

Risk Attributes-Their Measurement and Risk Score

All risks have two attributes, viz.

- Likelihood of risk occurrence.
- Risk impact

It is essential to score the risk to facilitate understanding and decision making. By measuring the two risks attributes a risk score can be derived for that risk.

The measurement of the likelihood of risk is normally against three levels on a scale of 3, viz.

- Low (score 1)
- Medium (score 2)
- High (score 3)

Risk impact can also be against three levels on a scale of 3 viz.

- Low (score 1)
- Medium (score 2)
- High (score 3)

Risk Response

Company recognizes that risk is an integral and unavoidable component of any business and is committed to managing the risks in a proactive and effective manner to achieve the goals and objective of the Company.

The Company understands and believes that as an integral part of any business activity, the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy;
- Treated by having good internal controls;
- Eliminated by terminating the activity itself, if seems necessary, to safeguard the interest of the Company and its shareholders/stakeholders; or
- Tolerated, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk.

The risk management process entails:

- On a regular basis, indentifying, analyzing, evaluating and confirming all risk(s) for the business, including:
  - Assessing the impact of the risk(s) on business activities of the Company;
  - Assessing the likelihood of the risk(s) occurring in near future;
  - Calculating the risk rating as indicated by the likelihood and impact Matrix;
  - Evaluating which risk needs treatment and the priority for treatment implementation based on risk materiality and the agreed risk appetite.
- Developing and maintaining a Risk(s) Register by documentation all low, Medium, and High risks, which must be updated quarterly basis.
- Developing an mitigation plan for the management of risks
- Ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- 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 Audit Committee of 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 process as outlined above adequately addresses the various risks associated with company's businesses activities. Board of Directors, Risk Management Committee and/or senior management of the Company shall periodically (Quarterly) review the risk management's framework so as to effectively address the emerging risk(s)/challenge(s) in a dynamic business environment.

Risk Management Policy

Process owner shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

The Board (i.e. Board of Directors of the Company) is ultimately responsible for identifying and assessing internal and external risk(s) that may adversely impact the Company in achieving its strategic objectives. The Board is also responsible for determining the Company's risk appetite, overseeing the development and implementation of the risk management framework and maintaining an adequate monitoring and reporting mechanism.

The Board is also responsible for reviewing and approving the risk management framework and risk appetite on an annual basis.

Risk Management Committee is responsible for ensuring that risk are identified, analyzed, evaluated and mitigated at regular intervals. Risk Management Committee must develop a sustainable control environment to manage significant risks and champion the implementation of risk management processes within business operations in effective manner.

Risk Management Committee shall monitor and report on material risks identified through the internal and external audit process.

The internal audit program must be aligned to the Company's risk profile and is responsible for providing independent assurance in relation to the effectiveness of processes to mange particular areas of risk. The scope of internal audit's risk based program is agreed to as part of an annual plan which is refined as necessary.

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 and risk management committee aims to ensure the specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of risk management 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 and risk management committee, senior management and employees responsible for its implementation.