1st April 2022

KANSAI NEROLAC PAINTS LTD.
RISK MANAGEMENT POLICY

Effective risk management of operations throughout the organization is the key to be successful in a fiercely competitive business environment. Risk Management is a standardized and uninterrupted process, which aims to identify, evaluate, manage and control the risk to which the operations of the business may be exposed, to ultimately deliver value to the stakeholders. It is crucial to the Company's strategic and systematic efforts to attain operational goals, while minimizing potential interruptions.

Risk Management is important for our Company which is catering to both industrial and decorative customers. Macro-economic conditions do affect the Company operations. Low demand, political instability, crop failures, natural calamities may affect the business. Business therefore is not risk free. It is therefore important to correctly assess risks, area wise, understand the impact and initiate action to mitigate the risks.

In Kansai Nerolac Paints Ltd. (KNP), Risk profiling is put in place for all the areas of operations and well integrated in the business cycle. The Company has identified the risk areas in its operations along with its probability and severity, department wise.

The various risk areas are as follows:

Strategic Risk

Strategic risk relates to Company's future business plans and strategies and includes risks relating to industry / sector.

Operational risks

Operational risks cover risks in business operations related to the procurement, manufacturing, distribution, sales and service of the product. It also includes operational, sustainability, people risks including but not limited to code of conduct, associated with the above.

Statutory Risk

With increase in geographical spread, KNPL is subjected to multitudes of constantly changing local legislations. There is a risk of non-compliance or delay in compliance with statutory requirements.

Financial Risks

Financial risks are risks associated operations which can have a financial impact on the organization.

System Risk

With the increasing use of IT within the organization for running of Business, need for having critical controls including but not limited to having information and cyber security, within the system becomes very important.

The identified risks are further classified into high risks, medium risks and low risks. On the basis of the type of the risks the risk mitigation methodology is evolved.

An effective Risk Management Framework is put in place in the Company in order to analyze, control and mitigate risk.

The Risk Management Framework comprises of Risk Management Committee and the Risk Officers. The Chairman of the Risk Management Committee is Mr. P. P. Shah (Chairman), Mr. Anuj Jain (Managing Director), Ms. Sonia Singh (Independent Director), Mr. P. D. Pai (Chief Risk officer) and Mr. Jason Gonsalves as its other members. The Risk Officers are the functional heads which represent the various functions. The Board of Directors and the Audit Committee review the effectiveness of the Risk Management framework and provide advice to the Risk Management Committee at regular intervals.

The Risk Management Framework consists of the following constituents who carry out the following functions:

- ➢ The Board of Directors:
    - o decide strategic goals and risk appetite of the company
    - o review the risk appetite and risk policies at regular intervals

- ➢ The Audit Committee provides oversight to the Company's Risk Management function and reviews effectiveness of the Risk Management function & gives advices at periodic intervals.

- ➢ Risk Management committee:
    - o prepares company-wide framework for risk management
    - o fixes roles and responsibilities
    - o communicates risk management objective
    - o gives direction for managing cyber security
    - o draws action plan and allocates resources
    - o determines criteria for defining major and minor risks
    - o decide strategies for escalated major risk areas
    - o updates company-wide Risk register
    - o prepares MIS report for review of Audit committee

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- Risk officers (Functional Heads):
  - o prepare framework for risk management for their function
  - o monitor its effectiveness and efficiency
  - o implement the risk management systems in their function
  - o communicate objectives and procedures to all the employees
  - o Reviews the risk MIs generated from the system
  - o Gives comments and action plan against each risk
  - o Presents final risk dashboard to the Risk Management committee

- Chief Risk officer:
  - a. defines processes and procedures
  - b. gives directions to the Risk officers in their functions

- The Risk Management Framework aims to:
  - a. Address our Company's strategies, operations and compliances and provide a unified and comprehensive perspective.
  - b. Establish the risk appetite.
  - c. Be simplistic and intuitive to facilitate a speedy and appropriate identification of potential and actual risks and its communication.
  - d. Seek escalation of the identified risk events to the appropriate persons to enable a timely and satisfactory risk response.
  - e. Reduce surprises and losses, foresee opportunities and improve deployment of resources, ensuring business continuity.
  - f. Develop a mechanism to manage risks.

The Company also maintains a Risk Register which contains comprehensive details of various risk areas and events concerning the Company. A detailed Risk register is maintained function wise to monitor and mitigate risks. Risk mitigation plans also form a part of the Risk Register.

In KNP, through the Risk Management framework, system and process are set to identify, gauge and mitigate any potential risk promptly and efficiently in order to manage and control them effectively. Clearly defined work profiles and assigned responsibilities are well at place, throughout the organization, at all levels and all functions, ensuring smooth flow of information across various levels within the organization.

Approach to Risk Management

The approach to Risk Management adopted by KNPL includes the following

Identification of risk: The approach to risk management includes identification of various risks at a functional level which have a significant material impact on the company either at the Strategic, Operational, System, Financial and Statutory level

Analyzing Risk along with evaluation and risk prioritization: For each risk identified a specific risk element has been identified and this risk element has been classified on three parameters based on internal discussions and deliberations

a) Probability of occurrence
b) Time frame or period (Short term - 1 year time frame, Medium term - 1 to 3 years times frame and long term > 3 years)
c) Risk Assessment (High, Medium and Low)

Treating and Monitoring Risk: For every risk element identified the company has identified a mitigation strategy as well as a tracking mechanism, frequency of tracking, whether the same can be tracked inside or outside the system and source document for monitoring the mitigation.

Frequency of meetings: The Risk Management Committee would be meeting atleast twice in a year and at such frequency as may be required under applicable statutory regulations, to review and update on-the various risk elements identified as well as to present actions on the minutes recorded in previous meetings. The minutes of the same would be prepared and circulated for action by the Chief Risk Officer.

Retention of Risk management documents: All documents pertaining to policy, framework and auctioning of risk management would be preserved in a soft copy with proper controls. Hard copies would be taken out on a need basis by the Chief Risk Officer

Reporting of risks, exposure and mitigation plan to the Audit Committee: The reporting of risks, exposure and mitigation plan would be presented once a year to the Audit committee by members authorized by the Risk Management Committee.

Training and awareness of risks, controls and mitigation plans: The Risk officers in consultation with the Risk Management Committee will cover training of required people based on a need basis.

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