ENTERPRISE RISK MANAGEMENT POLICY

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1. INTRODUCTION

The Enterprise 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 Regulation states as under:

To formulate a detailed Risk Management Policy which shall include:
a. a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environment, Social and Governance related risks), information, cyber security risks, regulatory risks or any other risk as may be determined by the Committee;
b. Measures for risk mitigation including systems and processes for internal control of identified risks; and
c. Business continuity plan.

2. PHILOSOPHY AND APPROACH TO RISK MANAGEMENT

Eureka Forbes Limited (‘the Company’) has put years of consolidated efforts to become the undisputed leader in domestic and industrial Water Purification Systems, Vacuum Cleaners and Air Purifiers.

The Risk Management philosophy of the Company is based on its vision and values. The Company has developed a dynamic growth strategy in pursuit of its vision. Enterprise Risk Management aims to preserve this value through implementation of a structured process for identifying, assessing and mitigating risks commensurate with the Company’s risk appetite.

For the purpose of clarity, risk appetite refers to the amount of risk exposure or potential adverse impact from an event that the organization is willing to accept / retain in order to achieve its strategic objectives. It supports conscious decision-making based on risk-reward trade off and ensures management works within established limits to control exposure.

The Risk Management Committee should decide the Company’s risk appetite and propose to the Board for approval.

Enterprise Risk Management (‘ERM’) is a core management competency that incorporates the systematic application of policies, procedures and checks to identify potential risks and lessen their impact on the Company. This involves:

a. Identifying potential risks;
b. Assessing their potential impact;
c. Taking action to minimize the potential impact; and
d. Monitoring and reporting on the status of key risks on a regular basis.

ERM also provides the Company with the opportunity to identify risk reward scenarios and to realize significant business opportunities.

3. PURPOSE OF ENTERPRISE RISK MANAGEMENT

The purpose of risk management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed to manage adverse impacts on achieving objectives.

This policy is intended to support & assist the Company in achieving their business objectives by providing minimum standards for identifying, assessing and managing their business risks in an efficient and cost-effective manner; at the same time ensuring the effective monitoring and accurate reporting of these risks to the key stakeholders.

The key objectives of this policy are to:

a. Provide an overview of the principles of risk management;
b. Explain approach adopted by the Company for risk management;
c. Define the organizational structure for effective risk management;
d. Develop a "risk" culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions; and
e. Identify, assess and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost, to protect and preserve Company's human, physical and financial assets.

4. OBJECTIVE OF ENTERPRISE RISK MANAGEMENT

The objective of risk management is not to eliminate risk, but to understand it so that the company can minimize the downside and take advantage of the upside. This requires clarity on what risks the company is prepared to take, how much, and ensure that the company has the processes in place to manage these risks.

An integrated and clearly structured risk management policy can help support the maximization of shareholders' value in several ways:

a. Clarity of roles and responsibilities;
b. Minimize surprises & negative impact of risks on business objectives;
c. Quicker, risk oriented decisions by focusing on key risks;
d. Achieve business objectives and strategic goals;
e. Better informed and greater management agreement on key decisions taken;
f. Enhanced communication to Board;
g. Greater management responsibility and accountability;
h. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
i. To formulate Business Continuity Plan;
j. Integrated governance practices; and
k. Reduced earnings volatility and increased profitability.

5. SCOPE OF THE POLICY

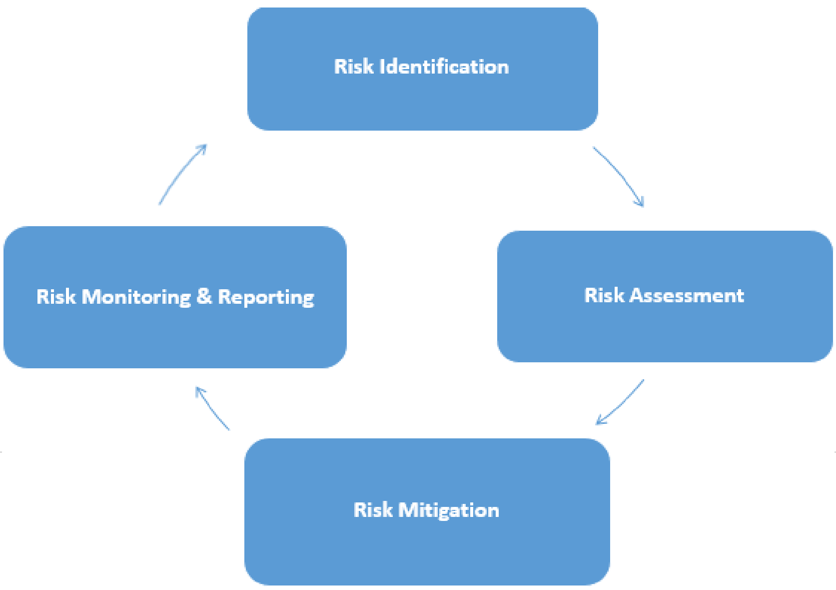
This policy applies to every part of the Company's businesses and functions. The policy complements the corporate governance initiatives of the Company and does not replace other existing compliance programs, such as those relating to environmental, quality, and regulatory compliance matters.

6. RESPONSIBILITY FOR RISK MANAGEMENT

a. Risk management is everyone's responsibility, from the Executive Board to individual employees. The Board has formed a Risk Management Committee (RMC) in line with the requirements of the Listing Regulations. All employees should actively engage in risk management within their own areas of responsibility and are expected to manage those risks within the approved risk appetite;
b. The Company will manage its significant risks through a holistic approach that optimizes the balance between risks and return across all businesses and functions. Optimization ensures that the Company only accepts the appropriate level of risk to meet its business objectives;
c. Each business and subsidiary is expected to undertake risk assessments for their business as a whole, and as determined by the Business Head for each of the business element;
d. Enterprise Risk Management will be integrated with major business processes such as strategic planning, business planning, operational management and investment decisions to ensure consistent consideration of risks in all decision- making;
e. Enterprise Risk Management is a comprehensive, disciplined and continuous process in which risks are identified, analysed and consciously accepted or mitigated within approved risk appetite;
f. Enterprise Risk Management Policy of the Company will continue to evolve to reflect best practices that address the changes in Company's requirements, organizational structure, size and industries within which the Company operates.

7. RISK MANAGEMENT PROCEDURES

The risk management process should be an integral part of management, be embedded in culture and practices and tailored to the business processes of the organization. The risk management process includes four activities: Risk Identification, Risk Assessment, Risk Mitigation and Risk Monitoring & Reporting as shown in the figure below:



a. Risk Identification

The internal as well as external risks for the Company can be broadly categorized into:

- Regulatory / Compliance risk;
- Competition/ Market risk;
- Consumer / Reputation risk;
- Partner / Channel risk;
- Product / Quality risk;
- Supply Chain / Sourcing risk;
- Information / Cyber Security risk;
- People / HR risk; and
- Financial / Performance risk

The purpose of risk identification is to identify the events that have an adverse impact on the achievement of the business objectives. Further, risk identification not only refers to the systematic identification of risks but also to the identification of their root causes.

The identification of risks is the first step in the risk management process. The purpose of identification of risks is to describe events that may have an adverse impact on the achievement of the business objectives. In order to identify risks, a range of potential events will be considered while taking into account past events and trends as well as future exposures.

b. Risk Assessment

"Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence".

Each identified risk is assessed on 2 factors determining the risk exposure:

- Impact, if the event occurs; and
- Likelihood of event occurrence

It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments each of the Risks can be categorized as – Low, Medium and High.

c. Risk Mitigation

Risk Mitigation involves selecting one or more options for managing risks and implementing such action plans. This phase of the ERM process is intended to:

- Understand existing practice/ mitigation mechanisms in place for managing risks;
- Generate and implement new action plans for mitigation of risks; and
- Assess the effectiveness of such plans.

d. Risk Monitoring & Reporting

Risk monitoring, review and reporting are critical components of the ERM process. The intent of monitoring & reporting risks is to identify any new risk, modifying existing risk, scan external environment for emerging risk and accordingly reassess risks.

8. 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.

9. EFFECTIVE DATE OF THE POLICY

This policy was first approved by the Board of Directors on January 31, 2022 and was amended by the Board of Directors on February 14, 2023. The Policy was again reviewed on February 10, 2025.

The revised effective date of the Policy is February 10, 2025.

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