RISK MANAGEMENT POLICY

BACKGROUND

Ion Exchange (India) Limited, (the Company) is engaged in manufacturing ion exchange resins, membranes, speciality chemicals for water and waste water treatment as well as non-water applications.
The company also offers a wide range of solutions across the water cycle from pre-treatment to process water treatment, waste water treatment, recycle, zero liquid discharge, sewage treatment, packaged drinking water, sea water desalination etc.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- A strategic focus
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.

In today's challenging and competitive environment, strategies for mitigating inherentrisks in accomplishing the growth plans of the Company are imperative. Thecommon risks inter alia are: Changes in Government policy, Competition, Business risk, Technologyobsolescence, Return on investments, Business cycle, Increase in price and costs,Limited resources, Retention of talent, etc.

OBJECTIVE AND PURPOSE

Ion Exchange (India) Limited ("IEIL / 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.

In line with the Company's objective towards increasing stakeholder value, a risk management policy has been framed, which attempts to identify the key events / risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks.

LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code ofConduct which aims to improvise the governance practices across the businessactivities of any organisation. The Companies Act, 2013 and the Regulation 17(9) and 21 ofthe SEBI (Listing Obligations and Disclosure Requirements)Regulations, 2015 have also incorporated various provisions in relation torisk assessment and minimization procedures and framing, implementing and monitoring the risk management plan and constitution of Risk Management Committee by the Board of Directors.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" (this Policy) of the Company and constitute a Risk management Committee as required by Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Composition of Risk Management Committee (RMC) shall be as follows:

- minimum three members with majority of them being members of the board of directors;
- at least one independent director ;
- Chairperson of the Risk management committee shall be a member of the board of directors;
- senior executives may be members of the committee

The risk management committee shall meet at least twice in a year.

The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

Accordingly, the Board of Directors has constituted Risk Management Committee with overall responsibility of overseeing and reviewing risk management across the Company. Minutes of the meetings of Risk Management Committee shall be put up to the next Audit Committee and

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

PURPOSE AND SCOPE OF THE POLICY

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 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.

APPLICABILITY

This Policy applies to all areas of the Company's operations.

KEY DEFINITIONS

- **Risk Assessment –**

The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

- **Risk Management –**

The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

- **Risk Management Process -**

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below: -

- **External Risk Factors**
  - Economic Environment and Market conditions
  - Political Environment
  - Competition
  - The Company's products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
  - The Company'srisk management methods and insurance policies not being effective or adequate
  - Changes in interest rates
  - Security risks and cyber-attacks
  - Inflation and Cost structure-
    Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer timeframe, as much higher risks for inflation and resultant increase in costs.
  - Technology Obsolescence –
    The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.
  - Legal –
    Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.
  - Fluctuations in Foreign Exchange-
    The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of "Stop Loss" which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

- **Internal Risk Factors**
  - Project Execution
  - Contractual Compliance
  - Operational Efficiency
  - Hurdles in optimum use of resources
  - Quality Assurance
  - Environmental Management
  - Human Resource Management
  - Culture and values

RESPONSIBILITY FOR RISK MANAGEMENT

Generally, every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the

development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassingreview of any external agency in this regards and action taken or proposed resulting from those reports.

REVIEW

This Policy shall be reviewed at least every year by Board of Directors or by Risk Management Committee to ensure it meets the requirements of legislation and the needs of organization.

AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.

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Policy approved by: The Board of Directors of Ion Exchange (India) Limited
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