HD FIRE PROTECT LIMITED

(Formerly known as HD Fire Protect Private Limited)

RISK MANAGEMEMNT POLICY

(Approved by the Board of Directors on 30th March 2026)

INTRODUCTION

'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 organization continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practices, 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 for limited resources.

Effective risk management requires:

- strategic focus
- Forward thinking and proactive 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 inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Changes in Government policy, Competition, Business risk, Technology obsolescence, Return on investments, Business cycle, Increase in price and costs, Limited resources, Retention of talent, etc.

OBJECTIVE AND PURPOSE

HD Fire Protect Limited ("HD Fire" or "the Company") considers risk management to be an integral part of its management and governance framework. The Company recognises that its ability to identify, assess and effectively manage risks is critical to achieving its business objectives and enhancing stakeholder value. Accordingly, this Risk Management Policy establishes a structured and disciplined approach for identifying, evaluating, monitoring and mitigating risks that may impact the Company's operations, strategy and financial performance.

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a proactive approach in identifying, reporting, evaluating and managing risks associated with the Company's business activities.

The specific objectives of this Policy are:

- To ensure that all current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed, thereby ensuring adequate risk management systems.
- To establish a structured framework for the Company's risk management process and ensure its effective implementation.
- To enable compliance with applicable laws, regulations and governance standards through adoption of best practices.
- To support sustainable business growth and financial stability of the Company.

LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 and the Regulation 17(9) and 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have also incorporated various provisions in relation to risk 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 financial 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 two hundred and ten days shall elapse between any two consecutive meetings.

Accordingly, the Board of Directors has constituted a Risk Management Committee to assist the Board in overseeing and reviewing the risk management framework and processes of the Company.

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 involves a detailed evaluation of potential threats and vulnerabilities and the resulting exposure of the Company to such risks.

- **Risk Management –**

The systematic process of identifying, assessing, mitigating and monitoring risks in order to protect the Company's resources, operations and financial performance, and to ensure that the Company's objectives are achieved without undue disruption.

- **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 may be affected by various internal and external risks, which are outlined below: -

- **External Risk Factors**

  External risks are those risks which arise from factors outside the control of the Company and may impact its operations, financial performance or strategic objectives. Such risks may include, but are not limited to, the following:

- **Economic and Market Conditions** – Changes in macroeconomic conditions, demand fluctuations, market volatility and economic downturns may adversely impact the Company's business and financial performance.
- **Political and Regulatory Environment** – Changes in government policies, regulations or political developments may affect the Company's operations and growth prospects.
- **Competition** – Increased competition in the industry may impact the Company's market share, pricing and profitability.
- **Product Marketability Risk** – The Company's products may lose market appeal over time, or the Company may face challenges in expanding into new product lines or attracting new categories of customers or investors.
- **Risk Management and Insurance Adequacy** – Existing risk mitigation mechanisms or insurance coverage may not always be sufficient to fully address unforeseen risks.
- **Interest Rate Risk** – Fluctuations in interest rates may impact borrowing costs and overall financial performance.
- **Information Security and Cyber Risks** – Increasing reliance on digital systems exposes the Company to cyber security risks, data breaches and other information security threats.
- **Inflation and Cost Structure** – Inflationary pressures may lead to an increase in operational costs. Project-based businesses with longer execution timelines may face additional exposure to cost escalations.
- **Technology Obsolescence** – Rapid technological advancements may render existing technologies obsolete.
- **Legal and Regulatory Risks** – The Company operates within a framework of applicable laws and regulations. Non-compliance or legal disputes may expose the Company to litigation, penalties or reputational risks.
- **Foreign Exchange Risk** – The Company may be exposed to foreign exchange fluctuations in relation to international transactions.

➢ **Internal Risk Factors**

Internal risks arise from factors within the organisation and may affect operational efficiency, project execution and organisational effectiveness. These risks may include:

- **Project Execution Risks** – Delays, cost overruns or operational challenges affecting timely completion of projects.
- **Contractual Compliance Risks** – Non-adherence to contractual terms and obligations that may lead to disputes, penalties or financial exposure.
- **Operational Efficiency Risks** – Inefficiencies in internal processes, systems or operations impacting productivity and performance.
- **Inefficient Utilisation of Resources** – Inefficient allocation or utilisation of financial, human or operational resources.
- **Quality Assurance Risks** – Failure to maintain required quality standards in products, services or operational processes.
- **Workplace Safety Risks** – Inadequate safety practices or failure to comply with safety standards that may affect employees and operations.

- **Human Resource Risks** – Talent shortages, employee attrition or skill gaps affecting organisational effectiveness.
- **Organisational Culture and Ethical Conduct Risks** – Weak governance practices or non-adherence to organisational values, policies and ethical standards.

RISK MITIGATION / DE-RISKING

Risk mitigation refers to the process of identifying, evaluating and implementing appropriate measures to reduce the likelihood or impact of identified risks. The Company adopts a structured approach towards mitigating risks through the following measures:

- Ensuring compliance with applicable laws, regulations and statutory requirements.
- Conducting periodic risk assessments to identify, evaluate and monitor key risks affecting the business.
- Establishing and enforcing a Code of Conduct and governance framework for directors, senior management and employees.
- Implementing appropriate policies, procedures and internal control mechanisms to manage and mitigate identified risks.
- Maintaining an effective internal audit and monitoring mechanism and encouraging transparent reporting of any instances of non-compliance or deviations from established procedures.
- Periodically reviewing cost structures and operational plans to manage the potential impact of inflation and cost escalations, particularly in projects with longer execution timelines.
- Continuously evaluating technological developments and making appropriate investments to address potential technological obsolescence and enhance operational efficiency.
- Strengthening information technology systems and cybersecurity controls to safeguard the Company's data, systems and digital infrastructure from cyber threats and unauthorized access.

RESPONSIBILITY FOR RISK MANAGEMENT

Risk management is a collective responsibility across the Organisation. All employees are responsible for identifying and reporting potential risks in the course of their respective functions. The Management is responsible for developing appropriate risk mitigation plans and implementing risk reduction strategies. Risk management processes shall be integrated with the Company's planning processes and day-to-day management activities to ensure effective identification, assessment and monitoring of risks. The ultimate responsibility for overseeing risk management across the Company rests with the Board of Directors.

COMPLIANCE AND CONTROL

The Company shall maintain appropriate policies, procedures and internal control systems to ensure compliance with applicable laws, regulations and internal guidelines. The Risk Management Committee and the Audit Committee shall oversee the effectiveness of the risk management framework, internal control systems and compliance processes within the Company.

The Audit Committee shall review internal audit reports, financial controls and compliance mechanisms, while the Risk Management Committee shall monitor key risks and the overall risk management framework. The observations and recommendations of these Committees shall be periodically placed before the Board of Directors for its review and guidance.

Management shall ensure that adequate systems, processes and management information mechanisms are in place to facilitate effective monitoring of risks and compliance with established policies and procedures.

REVIEW

This Policy shall be reviewed periodically by the Risk Management Committee to ensure its continued relevance, adequacy and effectiveness in line with the applicable regulatory requirements and the evolving risk profile of the Company. Such review shall be carried out at least once in every two years, or earlier if considered necessary.

The recommendations of the Risk Management Committee, if any, shall be placed before the Board of Directors for its consideration and approval.

AMENDMENT

The Board of Directors of the Company reserves the right to amend, modify or revise this Policy from time to time, based on the recommendations of the Risk Management Committee or in accordance with applicable laws and regulatory requirements.

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