RISK MANAGEMENT POLICY

OF

SFC ENVIRONMENTAL TECHNOLOGIES LIMITED

(Formerly known as SFC Environmental Technologies Private Limited)

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1. INTRODUCTION:

This Risk Management Policy **("The Policy")** has been adopted pursuant to Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (**"Listing Regulations"**), and Section 134(3)(n) and other applicable provisions of the Companies Act, 2013, as amended from time to time.

SFC Environmental Technologies Limited (*Formerly known as SFC Environmental Technologies Private Limited*) ("**SFC**" or **"the Company"**) has adopted this Policy for proactive management of risks in pursuit of the company's business goals. Given that the Company operates in the environmental technology and engineering domain, including wastewater treatment, wastewater recycling and reuse and solid waste treatment, the Company is exposed to project-based, regulatory, environmental, technological, execution, safety and sustainability-related risks, etc This Policy is designed to identify, assess and manage such risks in a structured and proactive manner.

This Policy is intended to ensure that an effective risk management framework is established and implemented within the Company and to provide regular reports on the performance of that framework, including any exceptions, to the Board of Directors **(the "Board")** of the Company.

The Policy covers:

1. Risk Management objectives;
2. Key Risks faced
3. Business Continuity Plan
4. Risk Identification, Risk Assessment, Risk Mitigation plans of the Company
5. Risk Management Framework

Risk Culture Statement:

SFC believes that responsible risk-taking is fundamental to innovation and sustainable growth. The Company fosters a culture of open communication around risks, promotes transparent reporting, and emphasizes proactive mitigation of risks, while continuing to support entrepreneurial thinking and informed decision-making.

2. DEFINITIONS:

Risk: Risk is an event which can prevent, hinder or fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

Risk Owner: means the Functional Head or Senior Management Personnel responsible for identification, assessment, mitigation, monitoring and reporting of a specific risk.

3. OBJECTIVES OF THE RISK MANAGEMENT POLICY:

The following are the objectives of this Policy:

a. To establish the clear accountability and ownership of risks;
b. To clearly identify the risk exposures;
c. To safeguard the Company's and its subsidiaries'/ joint ventures' property, interests, and interest of all stakeholders;
d. To manage risks with an institutionalized framework and consistently achieving desired outcomes;
e. To protect and enhance the corporate governance;
f. To integrate the risk management into the Company's culture
g. To implement appropriate risk management initiatives, controls, incident monitoring, reviews and continuous improvement initiatives;
h. Minimize undesirable outcomes arising out of potential risks;

4. RISK MANAGEMENT PROCESS:

Effective risk management requires identification, assessment, mitigation, monitoring and reporting risks. Further, the Company has in place the internal controls which assist in risk identification, measurement and monitoring.

a. Identification and assessment:

Risk identification is carried out on a regular basis and draws on a combination of internal and external factors. This shall be the result of a self-assessment process where risks are recorded. Risk measurement is done basis a combination of its severity, related control environment and the probability of occurrence.

Key Risk Indicators (KRIs) may be established for material risks to provide early warning signals, facilitate proactive risk mitigation, and enable structured monitoring and reporting to the Committee.

b. Mitigation and monitoring:

Monitoring ensures that the risk management and mitigation approaches (accept, avoid, transfer, control) are in place and are effective. Monitoring may also identify risk-taking opportunities. There shall be regular monitoring of risk exposures against risk appetites, as well as key risk indicators against operating and financial risk limits and tolerances. The effectiveness of controls in place to manage operational risks, including compliance with the regulatory guidelines and internal defined standards shall also be monitored.

c. Reporting:

The Functional Heads or Senior Management Personnel of the Company shall identify and ensure the reporting of the key risks of the business operations of the Company are reported to the Chief Risk Officer ("**CRO**")/ Chairperson of the RMC, in timely manner as and when necessary, otherwise reporting shall be done on an annual basis.

d. Risk Appetite:

Risk appetite refers to the level of risk the Company is willing to accept while pursuing its objectives. The risk appetite framework shall provide strategic direction and define tolerance limits.

Risk appetite sets a clear strategic direction and sets tolerances in pursuit of achieving long term goals, protecting stakeholders' interests.

The Company acknowledges that risk taking is a fundamental characteristic of the industry in which it operates. It is inherent to the Company's business and arises in every transaction undertaken by the Company.

The Company utilises its risk capacity judiciously in pursuit of its strategic goals and risk objectives, including but not limited to adequate capital levels, liquidity management, regulatory compliances, etc.

The risk appetite takes into consideration the following factors:

a. Company's goals and strategic objectives;
b. Reports and inputs received from the internal and external auditors, professionals, experts and other advisors
c. Risk assessments conducted by the Company and/or third party;
d. External business environment and socio-economic factors
e. Regulatory and Compliance Requirements
f. Financial Capacity and Capital Structure

g. Operational Capabilities and Resource Availability
h. Stakeholder Expectations
i. Reputation and Brand Considerations
j. Historical Risk Experience

5. RISK MANAGEMENT FRAMEWORK:

Risk management is a continuous process. The risk management framework for the Company supports a sound system of internal control, contribute to effective corporate governance and assist in fulfilling risk reporting requirements.

Risk Governance Structure:

The Board shall establish, approve and periodically review the framework. The Board shall oversee senior management to ensure that the policies, processes and systems are implemented effectively at all decision levels. Further, the audit committee shall also review the report of the internal auditors on a quarterly basis and ensure that effective internal controls are in place.

The Board shall approve and review a risk appetite and tolerance statement that articulates the nature, types, and levels of risk that the organization is willing to assume.

Senior management shall develop for approval by the Board a clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility.

Functional Heads and/or Senior Management Personnel are responsible for consistently implementing and maintaining throughout the organisation policies, processes and systems for managing risk in the organization's material products, activities, processes and systems consistent with the risk appetite and tolerance.

The Risk department/ function shall have appropriate representation on management committees of the Company, and its respective businesses to ensure risk view is taken into consideration in business decisions, monitoring, stress testing tools and escalation processes shall be established to monitor the performance against approved risk appetite.

The Board has empowered the Risk Management Committee ("RMC") to oversee the establishment of a risk culture in the organization.

The objectives of the RMC will be:

(i) To formulate a detailed risk management policy which shall include:

- framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environmental, Social and Governance (ESG) related risks), information, cyber security risks or any other risk as may be determined by the committee;
- measures for risk mitigation including systems and processes for internal control of identified risks; and
- Business Continuity Plan.

(ii) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

(iii) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(iv) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(v) To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;

(vi) The appointment, removal and terms of remuneration of the Chief Risk Officer shall be subject to review by the Risk Management Committee.

(vii) To seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

(viii) Laying down risk assessment and minimization procedures and the procedures to inform Board of the same;

(ix) Framing, implementing, reviewing and monitoring the risk management plan for the Company and such other functions, including cyber security, as may be delegated by the Board; and

(x) Performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended to by the Risk Management Committee.

(xi) Reporting to the Board on significant risk exposures and mitigation actions.

6. **KEY RISKS FACED BY SFC:**

The Company recognises the following as the key risks faced by the Company:

Internal Risks:

1. Technology Risk
2. Performance Risk
3. Strategic Risk
4. Revenue Concentration Risk
5. Operational Risk and Working-Capital Risk
6. Research & Development Risk
7. Financial Risk
8. Compliance Risk
9. Legal Risk
10. Cultural Risk
11. Intellectual Property Risk
12. Vendor and Outsourcing Risk
13. Human Resource / Talent Risk
14. Environmental and Sustainability Risk
15. Safety Risk
16. Insurance Risk
17. Cybersecurity and Fraud Risk
18. Reputational Risk

External Risks:

1. Market and Economic Risk
2. Environmental and Natural Risks Political Risk
3. Seasonal Risk
4. Regulatory and Legal Risk
5. Geopolitical and Social Risks
6. Technological and Cyber Risks
7. Supply Chain and Partner Risks
8. Reputation and Market Perception Risks
9. Industry-led Competition Risk

7. **BUSINESS CONTINUITY PLAN:**

Business Continuity Plan refers to maintaining business operations or quickly resuming them in an event of a major disruption including but not limited to natural disasters, fires, cyberattacks, pandemics, or other unforeseen events,

The Company shall establish and maintain a comprehensive Business Continuity Plan to address any contingent situation, covering all reasonably foreseeable circumstances. The BCP shall be periodically reviewed, tested, and updated by the RMC to ensure its effectiveness and alignment with the Company's operational and strategic objectives.

8. AMENDMENT:

The Board is, subject to applicable laws, entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict or inconsistency between this Policy and any applicable law and rules, the provisions of such applicable law and rules, as in force from time to time, shall prevail.

9. POLICY REVIEW:

This policy will be reviewed once in every two (2) financial years or earlier in case of any business need and to ensure compliance with the Companies Act, 2013 and applicable rules, Listing Regulations, subject to approval of the Board.

10. DISSEMINATION OF THE POLICY:

This Policy shall be disclosed by the Company on its Website at https://sfcenvironment.com/investor/governance/ in adherence with the Listing Regulations or any amendment thereto.

11. EFFECTIVE DATE:

The Policy as approved by the Board of Directors shall be effective from 24th March 2026.

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