RISK MANAGEMENT POLICY

LAVA INTERNTIONAL LIMITED

Version	Approved By	Approval Date
V1	Board of Directors	21 September'2021
V2	Board of Directors	03 July 2026

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1. INTRODUCTION

In order to mitigate and manage risk at Lava International Limited (hereinafter referred to as the "Company"), the company has formed the risk management policy (the "Policy") which seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

Section 134(3) of the Companies Act, 2013, as amended requires a statement to be included in the report of the Board of Directors (the **"Board"**) of the Company 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.

The Board of Directors has adopted this Policy for Risk Management at its meeting held on 3rd July 2026.

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

2. DEFINITIONS

"Company" means "Lava International Limited", a Company constituted under the provisions of Companies Act, 1956.

"Board of Directors" or **"Board",** in relation to a company, means the collective body of the directors of the Lava International Limited (the 'Company').

"Audit Committee" or "**Committee**" means the Committee of Board of Directors of the Company constituted under the under Section 177 of the Act, and the provisions of the Listing Regulations from time to time.

"Policy" means Risk Management Policy.

"Risk" means events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

"Risk Management" is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

"**Risk Assessment**" means the overall process of risk analysis and evaluation.

"**Risk Register**" means a tool for recording the Risks identified under various operations.

3. CLASSIFICATION OF RISKS

Class	Definition	Key Risks
Strategic Risk	Uncertainties that affect a company's long-term goals and objectives, such as market changes or competitive threats	• **Rapid Technological Change and Obsolescence:** The fast pace of innovation means products and components can quickly become obsolete, requiring substantial, continuous investment in R&D and infrastructure upgrades • **Cybersecurity, Privacy, and Trust:** As networks become more sophisticated, they become more vulnerable to advanced cyberattacks, data breaches, and intellectual property theft • **Regulatory and Policy Landscape:** Companies must navigate complex and evolving regulations that vary by country, including data privacy laws (like Digital Personal Data Protection- DPDP, AI regulation, spectrum allocation rules, and environmental policies • **Intense Market Competition and New Business Models:** Companies face the challenge of adapting to new business models and differentiating their offerings in a saturated market • **Customer Needs and Value Proposition**: In the consumer electronics sector, demand can be volatile
Operational Risk	The potential for loss resulting from failed or inadequate internal processes, people, systems, or external events	• **People:** Human errors, fraud, lack of training, or workplace safety issues. • **Processes:** Failures in internal controls, errors in transaction processing, inadequate quality control, or supply chain breakdowns. • **Systems:** Technology failures, hardware or software issues, cybersecurity breaches, or outdated IT infrastructure.
Financial Risk	Financial risk in business is the potential for monetary loss or failure to meet financial obligations, debt, operational issues, or credit defaults, impacting a company's stability and profitability.	• **Credit Risk:** Risk of borrowers (customers or counterparties) defaulting on payments, leading to loss for the lender. • **Liquidity Risk:** Inability to meet short-term debts or convert assets to cash quickly enough, especially in volatile markets. • **Market Risk:** Losses from fluctuations in market prices, such as interest rates, exchange rates (currency risk), etc. • **Leverage/Funding Risk:** Risk from heavy reliance on debt (leverage), making a company vulnerable to interest rate hikes and debt servicing
Compliance Risk	A business's exposure to legal penalties, financial loss, from failing to follow laws and regulations.	• **Fine** • **Penalties** • **Imprisonment**

Class	Definition	Key Risks
Supply Chain and Vendor Risk	Risks arising from suppliers, outsourced services, logistics, quality dependence, or concentration of critical vendors	• **Supply Chain Disruptions and Geopolitical Tensions:** The global supply chains are vulnerable to political instability, trade wars, sanctions, and natural disasters
People and Conduct Risk	Risks relating to talent availability, attrition, workplace safety, ethics, misconduct, harassment, and culture.	• **Talent and Skills Shortages:** Attracting and retaining skilled talent in specialized areas like AI, cybersecurity, and data science is a significant challenge due to high demand and competition from other sectors
ESG and Sustainability Risk	Risks arising from environmental, social, and governance issues, including climate, compliance, stakeholder trust, and public perception.	• **Sustainability and ESG Management:** Poor management of sustainability agendas, such as inadequate climate disclosures or uncertain commitments to net-zero goals, poses a risk to reputation and investor confidence
Reputational Risk	Risks that may damage customer confidence, brand value, employee trust, or stakeholder relationships	• **Loss of Brand Value** • **Loss of Market Share**
Business Continuity Risk	Risks that may interrupt operations due to fire, flood, cyberattack, industrial action, system outage, pandemic, or other disruption.	• **Business Disruption**

4. RISK MANAGEMENT FRAMEWORK

The Company believes that risks should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to manage risks effectively and efficiently, which contains the following processes:

a. Risk Identification and assessment

Mechanisms for identification and prioritization of risks include risk survey, industry benchmarking, incident analysis, business risk environment scanning, and focused discussions with the Board. Risk registers and internal audit findings also provide inputs for risk identification and assessment. The risks identified must be displayed in a structured form, indicating, amongst others, the name and scope of the risk, qualitative description, nature of risk, risk treatment and financial impact of risk.

b. Risk Evaluation and Rating

Risk evaluation is carried out to decide the significance of risks to the Company. Estimated risks are compared against the established risk criteria.

Nature of Issue	High	Medium	Low
Compliance	Non-compliance with penalty of >= INR 5Cr or imprisonment	Statutory non-compliance penalty >= INR 1Cr < INR 5Cr	Statutory non-compliance penalty < INR 1Cr
Total Financial Impact	Financial Impact >= INR 10Cr	Financial Impact >INR 5Cr < INR 10 Cr	Financial impact of < INR 5Cr
Likely Impact on Annual Profit	Impact>= 5%	Impact>5% <1%	Impact<=1%
Policies and Procedure	Absence of Standard Operating Procedure/ Policy	Revision of SOP/ Policy	Updating of SOP/ Policy
Operation	Design deficiency & Operational inefficiency in over 10% of sample transactions	Design deficiency & Operational inefficiency between 5% - 10% of sample transactions	Design deficiency & Operational inefficiency in less than 5 % of Sample transactions

** The value is identified based on the provisional turnover for FY 2024-25*

c. Risk Reporting and Disclosures

Risks to the achievement of key business objectives, risk level, impact and mitigation actions are reported and discussed with the Audit Committee/ Board on a periodic basis. Key external and internal incidents with potential impact are reported, Periodic update is provided to the Audit Committee/ Board highlighting key risks, their impact and mitigation actions. Key risk factors are disclosed in regulatory filings.

d. Risk Mitigation and Monitoring

In order to achieve the effective Risk mitigation strategy, following framework shall be used:

- **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
- **Risk Transfer:** Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.
- **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss.
- **Risk Retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained.

Mitigation plans are finalized, owners are identified and progress of mitigation actions are monitored and reviewed. Further, for those business objectives, whose achievement is at risk, periodic reviews are conducted to deploy actions**.**

e. Integration with Strategy and Business Plan

Identified risks to the business objectives in the near-term, medium-term and long-term are used as one of the key inputs for the development of strategy and annual business plan. Key strategic initiatives are identified to mitigate specific risk

5. FINANCIAL RISK TOLERANCE LIMITS

To make the Policy practical, the Company shall maintain financial risk tolerance limits in rupee values and related measurable parameters. These shall be reviewed periodically and adjusted based on the Company's size, cash flow, debt profile, and business cycle.

Illustrative Financial Tolerance Matrix:

Risk area	Tolerance limit	Escalation trigger	Escalation To
Borrowings	Overdraft facility, cash credit facilities, term loans, working capital facilities	Availing any Financial Facilities up to **INR 1000Crore**	Operational Committee
Investments	Investment in Fixed Deposits, Government Securities and Mutual Funds	Subscribing or buying or acquiring shares, stocks and any other securities of companies/ body corporate (including existing subsidiary/ JV/ associate company) for up to **INR 400Crore**	Operational Committee
Intercorporate Advances	Any loans/advances/ deposits other than to inter corporate companies	Grant Intercorporate loans/ deposits and advances for up to **INR 400Crore**	Operational Committee
Guarantee	Corporate guarantee or providing collaterals on behalf of company's subsidiaries/ JV companies	Provide corporate guarantee for up to **INR 400Crore**	Operational Committee
Compliance	Zero non-compliance	Payment for any fine/ penalty for up to **INR 10Crore**	Operational Committee
AOP Variance (Opex)	Expense above AOP	Variance up to **10%** requires explanation and approval	Executive Director and CFO
AOP Variance (Capex)	Expense above AOP	Variance up to **INR 10Crore** requires explanation and approval	Executive Director and CFO
Customer credit exposure	Exposure to any single customer should not exceed **10% of annual revenue**	Overdue exposure up to **INR 50 lakh** beyond agreed terms	Executive Director and CFO
Single counterparty exposure	No single counterparty exposure above **INR 2 crore** without CFO approval	Exposure up to **INR 5 crore**	Executive Director and CFO
Fraud / misappropriation	Zero tolerance	Any suspected fraud/misappropriation up to **INR 1 lakh** escalated immediately	Executive Director and CFO

Escalation Matrix:

Any escalation beyond the authorized limits is to be presented to the Board of Directors.

6. ROLES AND ACCOUNTABILITY IN RISK MANAGEMENT

Every employee 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.

a) The Board's role to ensure framing, implementing and monitoring risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased approach during the Board's deliberations on making risk management systems very strong and effective.

b) The Audit Committee's role is to evaluate the risk management systems.

c) This policy shall complement the other policies of the company in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are being effectively mitigated.

7. RISK APPETITE

A critical element of the Company's Risk Management framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives. The key determinants of risk appetite are as follows:

a) Shareholder and investor preferences and expectations.

b) Expected business performance (return on capital).

c) The capital needed to support risk taking.

d) The culture of the organization.

e) Management experience along with risk and control management skills; and

f) Longer term strategic priorities.

Risk appetite is communicated through the Company's strategic plans. The Board and the management of the Company monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

8. COMPLIANCE AND CONTROL

All the stakeholders under the guidance of the Audit Committee 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 stakeholders considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

9. REVIEW

This Policy shall be reviewed every year to ensure it meets the requirements of legislation and the needs of organization. This Policy can be modified at any time upon recommendations from the audit committee.