sutlej
textiles and industries limited

RISK MANAGEMENT POLICY

1. Preface

Sutlej Textiles and Industries Limited ("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.

The Company's Risk Management Policy ("the Policy") aims to ensure appropriate risk management within its systems and culture.

Risk management in a business environment is attempting to identify and then manage threats that could have an impact on the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address threats.

The Policy is formulated in compliance with Regulation 17(9)(b) and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and provisions of the Companies Act, 2013 ("the Act"), which requires the Company to lay down procedures about risk assessment and risk minimization.

The responsibility for identification, assessment, management and reporting of risks will primarily rest with the executive management. They are best positioned to identify the risks they face, evaluate these and manage them on a day to day basis.

The Risk Management Committee ("Committee") constituted by the Board shall monitor and evaluate risks and mitigation measures in place from time to time and will report to the Board of Directors.

2. Purpose and Scope

This Policy establishes the process for the management of risks faced by the Company. The aim of risk management is to maximize opportunities in all activities and to minimise adversity. This Policy applies to all activities and processes associated with the operations of the Company covering environmental, social and governance (ESG) aspects.

Effective risk management allows the Company to:

- embed the management of risk as an integral part of its business processes;
- establish an effective system of risk identification, analysis, evaluation and mitigation in all areas and at all levels;

- take informed decisions;
- avoid exposure to significant reputational or financial loss;
- assess the benefits and costs of implementation of available options and controls to manage risk;
- have increased confidence in achieving its goals; and
- strengthen corporate governance procedures.

Thus, it is the responsibility of all Board members, senior management and employees to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

3. Risk Strategy

The Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company, being one of the largest textile conglomerates in India, is committed towards excellence. The Company has mainly two divisions - Yarns and Home Textiles. The product range of the Company comprises:

- All types of Yarns;
- Home Textiles (Curtains, Upholstery, Made Ups, etc.)

Types of Risks:

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 Operational risk, Raw Materials risk, Financial risk, Market risk, Human Resources risk, Global and Regulatory risks, etc.

- Operational risk encompasses areas related to day-to-day operations of the Company viz. non-availability of power, non-availability of water, fire, breakdown, environmental issues like pollution, , IT and cyber threats, logistics and transport, etc.
- Raw Materials risk encompasses all risks associated with raw materials required for the business which *inter-alia* includes cost of raw materials, non-availability of raw materials, etc.
- Financial risk encompasses the risks which can be attributed to financial management and the risks *inter-alia* includes dwindling financial ratios, foreign exchange fluctuations, fraud, investor relations, drop in credit ratings, inadequate insurance, etc.
- Market risk encompasses risks which are attributable to market conditions and *inter-alia* includes price of finished products, credit terms, demand supply mismatch, substitute products, innovations (business models, innovative raw materials, etc.), brand image, bad debts, change in consumer preferences, service / products complaints, technological changes, consolidation of supply chain, etc.

- Human Resources risk encompasses risks which are associated with the human capital and *inter-alia* includes non-availability of competent personnel and labour, turnover of employees / staff, labour unrest, workplace accidents, etc.
- Global and Regulatory risk encompasses risks that may arise due to change in policies, changes in geo political environment and *inter-alia* includes economic barriers like import ban/duties, trade barriers like FTA, MFN, LDC, international sanctions and trade restrictions, pandemic like Covid19, legal compliance, trade war, changes in government regulations and policies, geo political impact, country specific risk, environmental regulations, etc.

For managing risks more efficiently the Company needs to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the Company needs to evaluate these risks on the basis of their impact on the Company.

4. Risk Management Framework

Risk Management and Risk Monitoring are important in recognizing and controlling risks.

Risk Mitigation is also an exercise aiming to reduce the loss or injury or economic impact arising out of various risk exposures. Risk Mitigation also involves allocation of risk at appropriate level. The Company adopts a systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and compliances. The Company believes that this would ensure mitigating risks proactively to help achieve stated objectives and sustainability.

The Company will consider activities at all levels of the organization and its Risk Management with focus on three key elements, viz.,

1) Risk Assessment - detailed study of threats and vulnerability and resultant exposure to various risks;
2) Risk Management and Monitoring - the probability of risk assumption is estimated with available data and information;
3) Risk Mitigation - Measures adopted to mitigate risk by the Company.

5. Oversight and Management:

Board of Directors:

The Board of Directors (“the Board”) is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committees and senior management. The Committees or management may also refer particular issues to the Board for final consideration and direction.

Risk Management Committee:

The day-to-day oversight and management of the Company's risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- periodically reviewing and updating the current list of material business risks and its mitigation measures;
- periodically updating the Board on various risks and its mitigation measures;
- ensuring compliance with regulatory requirements and best practices with respect to risk management;
- ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- formulating a framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, or any other risk as may be determined by the Committee;
- to monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- to keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- Recommend to the Board the appointment, removal and terms of remuneration of the Chief Risk Officer (if any).

The Committee shall perform such other functions as may be required under the relevant provisions of the Securities and Exchange Board of India (Listing Regulations and Disclosure Requirements) Regulations, 2015, any other applicable laws and various circulars issued by the regulatory authorities thereof, as amended from time to time.

Senior Management:

The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior management shall monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, senior management shall endeavor to promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior management shall periodically report to the Committee regarding the status and effectiveness of the risk management program.

Employees:

All employees are responsible for implementing, managing and monitoring action plans with respect to business risks, as appropriate.

6. Business Continuity Plan

Business Continuity Plans (BCP) are required to be defined for Critical and Very High Impact risks, to enable rapid response to address the consequence of such risks when they materialize. Mitigation measures for Critical and Very High Impact risks should form part of the Risk Matrix of the Company and should be evaluated periodically.

7. Amendment

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

8. Effective Date

This Policy has been reviewed and approved by the Board of Directors of the Company at its meeting held on 08th November, 2024.