STYLAM INDUSTRIES LIMITED

CORPORATE RISK MANAGEMENT POLICY

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INTRODUCTION

The Company's Managing Directors and Executive Directors subject to superintendence and control of the Board of Directors are responsible for the day-to-day affairs of the Company, its Governances well as the establishment of a system of internal control to mitigate material business risks. Company's senior executives in key positions are responsible for the design and operation of its system of internal control, which includes risk management and internal control framework, and for reviewing its effectiveness.

The Company has put in place Risk Management Policy whose objectives are to optimize business performance; and to promote confidence amongst the Company's stakeholders in the effectiveness of its business management process and its ability to plan & meet its strategic objectives.

The system of internal control is designed to manage the risks that may prevent the Company from achieving its business objectives and to provide reasonable assurance that all material misstatements, frauds or violations of laws and regulations will be prevented. The internal controls are periodically reviewed by the Managing Directors and Executive Directors in co-ordination with the Chief Financial Officer and heads of other disciplines. Periodically such controls are reviewed by the Internal Auditors, Cost Auditors, Secretarial Auditors and Statutory Auditors and their findings are being implemented.

The current economic environment in conjunction with the growth ambitions of the Company carries with it a set of potential risks. The Company recognises that such risks need to be managed to protect its employees, shareholders and customers at large to achieve its business objectives. Therefore, Risk and opportunity management shall form an integral part of the Company's strategy.

A. Regulatory Requirements

The Risk Management Policy of Stylam Industries Limited is framed as per the following regulatory requirements.

- **Companies Act 2013,**

a) Section 134(3) of the Companies Act 2013, there shall be attached to the financial statements laid before a company in a general meeting, a report by the Board of Directors of the company shall include – 134(n) a statement indicating the development and im plementation of the Risk Management Policy for identification and mitigation of the risk, if any which will affect the day to day affairs of the company.

b) Section 177(4) (vii) stipulates that every Audit Committee shall act in accordance with terms of reference mentioned by the Board which shall include – Review of the Internal Financial Control of the Companies and Risk Management Systems.

c) Schedule IV of Companies Act 2013, Section 149 (8) Code of Independent Directors. Independent Directors shall bring in independent judgment to bear on Board deliberation especially on the issues of Strategy, performance, risk management, resources and key appointments. Satisfy themselves on the Integrity of Internal Financial controls and systems of risk management are robust and defensible.

- **SEBI (Listing and Obligation Disclosure Requirements) regulation 2015,**

a) Regulation 21 of SEBI (LODR) Reviewing and identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectorial, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
b) Measures for risk mitigation including systems and processes for internal control of identified risks

B. Introduction to Risk Management

1. Objectives of the Risk Management Policy :

The Prime objective of this Risk Management Policy and Procedure is to ensure sustainable business growth with stability, establish a structured and intelligent approach to Risk Management and to promote the confidence amongst the company's stakeholders in the effectiveness of its business management process and its ability to plan & meet its strategic objectives. This would include the process for development and periodic review of the various risk factors in order to guide decisions on business issues. This would promote a proactive approach in analysis, reporting and mitigation of key risks associated with the business in order to ensurea sustainable business growth.

2. Purpose of the Policy

- The policy forms part of Stylam Internal control & Governance arrangements.
- Provide guidance regarding the management of risk to support the achievement of corporate objectives, protect staff and business assets and ensure financial sustainability.
- The policy explains Stylam approach to risk management, documentation of the roles & responsibilities of the Board and its Committees thereof.
- Improving deployment or more efficient use of capital and resources.

3. Scope & Extent of Application

The policy guidelines are devised in the context of the present business profile, future growth objectives and new business endeavours/ services that may be necessary to achieve the goals & the emerging global standards & best practices amongst the comparable organizations. This policy covers all the events within the company & events outside the company which have a bearing on the company's business.

C) Risk Management Process and Internal Control

4. Risk Management Process

Effective risk management process requires continuous & consistent assessment, mitigation, monitoring and reporting of risk issues across the full breadth of the enterprise. Essential to this process is a well-defined methodology for determining corporate direction and objectives. Hence, an enterprise wide and comprehensive view will be taken of risk management to address risks inherent to strategy, operations, finance and compliance and thereof.

The risk management process adopted by Stylam has been tailored to the business processes of the organization. Broadly categorizing, the process consists of the following stages/steps:

- Establishing the Context
- Risk Assessment (identification, analysis & evaluation)
- Risk Treatment (mitigation plan)
- Monitoring, review and reporting

4.1 Establishing the Context:

Understanding the external and internal context is very important in order to ensure the objectives and concerns of external and internal stakeholders are met while developing risk criteria. It is based on organization as a whole, but with specific details of legal, organizational culture, process, structure, strategies and regulatory requirements, stakeholder perceptions and other aspects of risks specific to the scope of the risk management process.

External Content and Internal Context include:

- Social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local;
- Key drivers and trends having impact on the objectives of the organization
- Relationships with, perceptions and values of external stakeholder
- Governance, organizational structure, roles and accountabilities
- Policies, objectives, and the strategies that are in place to achieve them

- Information systems, information flows and decision making processes (both formal and informal)
- Standards, guidelines and models adopted by the organization

4.2 Risk Assessment

4.2.1 Risk Identification:

Risk Identification involves understanding and listing of the potential threats that may affect the realisation of the key success parameters, including the objectives of the organisation. Risk identification starts not only with the internal environment; the consultation & communication with the outside environment will help in identifying the risk factors. This stage involves identification of sources of risk, areas of impacts, cause of events & their potential consequences on the business. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

4.2.2 Risk Analysis & Evaluation

Risk Analysis involves consideration of causes and sources of risk, what are all the triggering event, considering the positive and negative consequences of the risk. Factors that affect the consequences and their likelihood should be identified. Existing controls and their effectiveness and efficiency should also be taken into account.

Risk Evaluation is the process used to compare the estimated risk against the given risk criteria so as to determine the significance of the risk. Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for solution can be considered. The Decisions have to be taken based on the risk and include consideration of the tolerance of the risks borne by other external parties, other than the organization, that benefit from the risk.

4.3 Risk Treatment

Based on the Risk level, the company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. Following framework shall be used for risk treatment**:**

- Risk Avoidance (eliminate, withdraw from or not become involved)
- Risk Reduction (optimize - mitigate)
- Risk Sharing (transfer - outsource or insure)
- Risk Retention (accept and budget)

Development of the effective internal control system to reduce the risks, some of the Internal Control measures are:

- Systematic Compliance with organizational policies
- Control of the External and Internal Environment
- Monitoring of Control Processes
- Accurate Communication of Information amongst the internal departments.

4.4 Monitoring and Review

a) Documentation of Risks and Mitigation Plans.
b) Periodical review of Risk
c) Periodically measure the deviation from the risk management plan.
d) Report on risk, progress with the risk management plan and how well the risk management policy is being followed.
e) Internal audit plan needs to incorporate review of mitigation plans.

4.5 Risk Reporting

Reporting is an integral part of any process and critical from a monitoring perspective. Results of risk assessment needs to be reported to risk management committee and to the Board of Directors.

4.5.1 Quarterly Risk Review

The Committee shall review the Risk on quarterly basis and identify any emerging/new risk and the existing control to mitigate that risk. They must ensure robustness of design and operating effectiveness of existing internal controls. Report should be given by each department based on the priority High, Medium and Low & subsequent mitigation plans taken and the changes if any to the existing plan should be reported to the Committee.

D) Areas of Risk and Mitigation Plans

S. No	Risk Factor	Risk	Mitigation Plan
1.	**Strategic Risk**	**Price and Market Risk** The standard deviation of changes in the prices of stocks, currencies, or commodities is referred to as price volatility. The Company's performance is subject to the fluctuating prices of raw materials and components required for production vis-à-vis market realisation for the finished goods. Factors like natural disasters, political instability, economic conditions, etc., influence the market demand. Prolonged unfavourable conditions may result in discontinuance of some product or impairment of assets	The company can mitigate this risk by way of Inventory Management during the times of demand, Procurement of the Raw material at reasonable cost. Diversification of the Products to mitigate the Price risk.
		Competitive Forces The Competition is the most important risk prevailing in the Market.	• Having Competitive Price • Developing the quality products • Innovative Products

		Utmost importance to be given for this risk to regularly watch what the competitor is developing.	• Diversify the Portfolioand Export of the Products • Updation in the Technology, Plant and Machinery
		Brand and Reputational Risk The Goodwill of the Company is very important. The Company trade mark "Stylam" is one of the leading brand emerged progressively as the manufacturer of some of the most advanced interior and exterior designing products including the range of Laminates, PreLam Boards, Exterior Cladding and Acrylic Solid Surface	• Developing the BestCode of Conduct • Set a clear vision andstrategy to amplify your brand, differentiate from thecompetition and achieve business strategies • Monitor changingbeliefs and expectations. • Focus on positiveimage and communication • Create response andContingency plans • Strong Control Environment
		Political Instability and	• Getting Insured

		Government policies	• Having the second planfor supply chain • Having the good communication withthe local Authority • Having the Regular updates regarding thegovernment policies and circulars.
2.	Operational Risk	**Health Safety, Environmental andSecurity Risk**	• First aid training is given to watch staff and safety personnel. • Workmen of the Company are covered under ESI, EPF, etc., to serve the welfare of the workmen. Health Insurance for the employees of the company.
3.	Financial Risk	➢ Treasury Risk	• Error reduction and prevention. • Strategy implementation. • Treasury audit • Segregation of duties. • Quality assurance for information
		➢ Interest Rate	• The interest rate risk can also be mitigated through various hedging strategies. These strategies generally include the purchase of different types of derivatives. The most common examples include interest rate swaps, options, futures, and forward rate agreements (FRAs).

		➢ Forex Risk	• Understand the forex market. • Build a Good Trading Plan • Hedging of the Funds • Set a risk-reward ratio
		➢ Risk of Bad debts	• Prompt disbursement of invoices • Setting out the clear payment terms • Constant touch with the debtor
		➢ Inventories Risk	• Accurate forecast • Frequent re-examination of stock available
4.	Legal and Other Risk	➢ Intellectual Property Risk	• Leveraging technical cooperation with others • Obtaining indemnities Participating in patent pools • Using standards with fit for purpose IP policies • Safety via agreements & contracts • IP acquisition
		➢ Geographical Risk	The Company has a well-structured dealership network covering all strategically important centres all over the country.
		➢ Hacking Risk	• Developing of the In-house IT team • Establishing the Local LAN Security • Frequent Change of Password • Spoofing Restrictions • Blocking o Unwanted website and having the Firewall for all the system.

		➢ Compliance Risk	• Compliance calendar are in place which is placed before the Board in every quarterly meetings. • Secretarial auditor periodically reviews all the filings and compliances and gives a report for every financial year.

4.5.2 Business Continuity Plan

Periodically review, monitor and oversee the Company's Business Continuity Plan to ensure preparedness for operational disruptions, including assessment of disaster recovery measures, data protection controls, critical process continuity and timely restoration of business operations.

E) Risk Management Committee and Constitution

5 Risk Management Committee:

The objective of the Risk Management Committee of the Board of Directors (the "Committee") of Stylam Gandhimathi Appliances Limited (the "Company") is to assist the Board of Directors (the "Board") in fulfilling its corporate governance oversight responsibilities with regard to identification, evaluation and mitigation of strategic, operational, and external environment risks monitoring and approving the risk management framework and associated practices of the Company.
Management strives to ensure a policy of strong corporate ethics that are more about the culture of the organisation rather than an outcome of legal provisions. Thus it maintains healthy internal control systems and practices.

5.1 Composition

A Risk Management Committee ("RMC") comprising of Managing Director, Executive Director and Independent Directors chaired by the Managing Director, is responsible for the review of risk management processes within the Company, and for overseeing the implementation of the requirements of this policy. The RMC provides updates to the Board on a regular basis on key risks faced by the Company, and the relevant actions for mitigating such risks.

The composition of the committee has been constituted in line with the requirement of SEBI regulations and may be changed as and when required as perthe prevailing regulatory guidelines.

5.2 Meeting and Quorum

Quorum for a meeting of the Risk Management Committee shall be either three members or one third of the members of the committee, whichever is higher including at least one member who is a whole-time director in attendance. The Committee shall meet once in every quarter or as may be decided by the Committee.

5.3 Responsibility and Authority

A) 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, cyber security risks or any other risk as may be determined by the Committee.
B) Measures for risk mitigation including systems and processes for internal control of identified risks
C) Business continuity plan.
D) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
E) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
F) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
G) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken
H) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
I) 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;
J) Ensuring compliance with regulatory requirements and best practices with respect to risk management.
K) Providing management and employees with the necessary tools and resources to identify and manage risks;

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

F) Approval and Amendments

Any or all provisions of this policy would be subject to the revisions/amendment to the Listing Regulations or any circular, notification, guidance notes issued by SEBI or any other relevant authority on the subject from time to time. Any such amendments shall be automatically having the effect of amending the policy upon approval of the Risk management committee.

UPDATED ON 27.05.2024