SANGAM (INDIA) LIMITED

RISK MANAGEMENT POLICY

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1. BACK GROUND AND IMPLEMENTATION

1.1 The Risk Management Policy is framed by considering various types of risks assessed by Sangam (India) Limited ("Company"), with a view to have a better management & reporting system of such risks and to take appropriate action to assess such risks on a timely basis.

1.2 **Requirement Risk framework:** In compliance of Companies Act, 2013 ("the Act") read with rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") :

i. the Board of Directors of a company, as part of the Board's Report, to give *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.*

ii. Section 177(4)(vii) of the Act 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.

iii. Listing Regulations, across its different sections, invariably lays greater emphasis on Risk Management being one of the key functions of Board where responsibility is cast upon the Board to:-

- review and guide Risk Policy
- ensure that appropriate systems of control are in place, in particular, systems for risk management.
- ensure that, while rightly encouraging positive thinking, it does not result in over- optimism that either leads to significant risks not being recognized or exposes the company to excessive risk have ability to 'step back' to assist

executive management by challenging the assumptions underlying risk appetite.

- evaluation of internal financial controls and risk management systems by Audit Committee

The board of directors shall be responsible for framing, implementing and monitoring the risk management plan.

The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.

2. PURPOSE AND SCOPE OF THE POLICY:

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risk associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues. 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 treatment within all areas and all levels;
- Make 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
- 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 recognizes 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 five divisions- Spinning, Weaving, Denim, Seamless Garments and Processing Divisions. The product range of the company comprises:

- All types of Yarn
- Synthetic/Cotton Fabric
- Denim Fabric
- Seamless Garment
- Processing of fabrics

4. 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 Regulations, Competition, Business risk, Technology Obsolescence, Retention of talent etc. Business risk, inter-alia, further includes Financial risk, Political risk, Legal risk etc.

For managing Risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the Company would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

5. RISK MANAGEMENT FRAMEWORK:

In principle, risk always results as a consequence of activities or as a consequence of non- activities. 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 arising out of various risk exposures. The company adopts a systematic approach to mitigate risks associated with

accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating risks proactively and help to achieve stated objectives.

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

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

6. RISKS SPECIFIC TO THE COMPANY AND THE MITIGATION MEASURES ADOPTED:

We have divided the risks into three broad categories, namely: -

(I) BUSINESS OPERATIONAL RISKS

Business dynamics: These include: -

1. **Business Operations Risk**

These risks relate broadly to the company's organization and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organisation and management risks,
- Production, process and productivity risks,
- Business interruption risks,
- Profitability

Risk mitigation measures:

- The Company functions under a well-defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
- Second level positions are created in each Department to continue the work

without any interruption in case of non-availability of functional heads.

- Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programs.
- Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.
- Monthly review of the performance of the Company and comparing with the budgets.
- Development of Remote access capability in all core supporting departments/areas.

2) **Market Risks / Industry Risks:** These include:

- Demand and Supply Risks
- Quantities, Qualities, Suppliers, lead time, interest rate risks
- Interruption in the supply of Raw material
- Consumer behavoiur

Risk Mitigation Measures:

- Demand and supply, Consumer behaviour are external factors on which company has no control, but however the Company plans its production and sales from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's products.
- The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, retention of customers, delivery mechanisms, technical inputs and advice on various aspects of de-bottlenecking procedures, enhancement of capacity utilisation in customer-plants etc.

3) **Logistics Risks:** Use of outside transport sources.

Risk Mitigation Measures:

Company has a dedicated transport group to handle all requirements relating to movement of cotton, finished goods, scrap etc.

4) **Political Environment risks:**

Any adverse change in the political environment of the country, government policies on textile industry etc. can have an impact in growth strategies of the company.

Risk Mitigation Measures:

Reviewing and monitoring the country's textile related industrial, labour and other related policies and involvement in representative industry-bodies.

5) **Technological Obsolescence:** The Company strongly believes that technological obsolescence is a practical reality.

Risk Mitigation Measures:

Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

6) **Disaster Risks:**

- Natural risks like Fire, Floods, Earthquakes, etc.

Risk Mitigation Measures:

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.
- Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.
- Disaster Recovery Plan is being worked upon.

(II) FINANCIAL RISKS

1) **Liquidity Risks:**

- Financial solvency and liquidity risks
- Borrowing limits
- Cash management risks

Risk Mitigation Measures:

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization.
- Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.
- These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances.
- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Periodic review of working capital is done on an ongoing basis senior financial team member.
- Controls built in system for credit card collections in UK, USA and daily reconciliation done with sales.

2) **Credit Risks:** These include risks in settlement of dues by dealers/customers

Risk Mitigation Measures:

Systems put in place for assessment of creditworthiness of dealers/customers. Provision for bad and doubtful debts are appropriately made in books of accounts.
Appropriate recovery management and follow up.

3) **Foreign Exchange Risks:**

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD/Pound and other currencies and accordingly face foreign currency exposure from our sales in other countries and from our purchase of rough from overseas

suppliers in U.S. dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

Risk mitigation

The foreign currency risk is managed through natural hedge for export receivables against import of raw materials. The working capital from banks in foreign currencies also provides a natural hedge against export receivables.

As the working capital is moved towards INR in India, debtors are hedged and the currency fluctuation risk minimized The CFO is empowered to take all necessary steps to avoid or mitigate the fluctuating risk including to make or introduce the hedging for avoiding currency fluctuating risk.

4) Financial Reporting Risks:

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations creates uncertainty for the Company.

Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies which could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

Risk Mitigation Measures:

The Company is committed to maintaining high standards of corporate governance and public disclosure and to comply with evolving laws, regulations and standards.

5) Risk of Corporate Accounting Fraud:

Accounting fraud or corporate accounting fraud are business scandals arising out of misusing or misdirecting of funds, overstating expenses, understating revenues etc.

Risk Mitigation Measures:

- Conducting risk assessments,
- Enforcing and monitoring code of conduct for key executives
- Instituting Whistleblower mechanisms
- Deploying a strategy and process for implementing the new controls
- Adhering to internal control practices that prevent collusion and concentration of authority
- Employing mechanisms for multiple authorisation of key transactions with cross checks
- Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organization.

(III) OTHER RISKS

1) Human Resource Risks:

- Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
- Unrest Risks due to Strikes and Lockouts.

Risk Mitigation Measures:

- Ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence.
- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal systems with the participation of the employee and consistent with job content, peer comparison and individual performance for revision of compensation on a periodical basis has been evolved and followed regularly.
- Inculcate in employees a sense of belonging and commitment and also effectively train them in spheres other than their own specialization.
- Activities relating to the Welfare of employees are undertaken.
- Employees are encouraged to give suggestions and discuss any problems with their Superiors.
- Efforts are made to keep cordial relations with employees at all level.

2) Sustainability Risk (Environment, Social and Governance)

Environmental, social and governance (ESG) are three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and return of investments. Responsible investors evaluate companies using ESG criteria as a framework to screen investments or to assess risks in investment decision-making.

Environmental factors determine a company's stewardship of the environment and focus on waste and pollution, resource depletion, carbon footprint, imbalances due to mining, deforestation, and climate change.

Social factors look at how a company treats people and focuses on employee relations and diversity, working conditions, local communities, health and safety, and conflict.

Governance factors take a look at corporate policies and how a company is governed. They focus on tax strategy, executive remuneration, donations and political lobbying, corruption and bribery, and board diversity and structure.

Risk mitigation

Environmental risks created by business activities have actual or potential negative impact on air, land, water, ecosystems, and human health. The Company shall take proper steps for managing resources and preventing pollution, reducing emissions and climate impact, and executing environmental reporting or disclosure. The steps taken towards environment sustainability are:

- Separate department/team is looking the sustainability functions
- Installation of water treatment plants at its various manufacturing units.
- Use of renewable energy by establishing solar plants.
- Setting up of Rain harvesting facilities at its various manufacturing units.
- Extensive plantation of trees undertaken for green belt development.
- Setting up of electrostatic precipitators, filters etc as required from site to site.
- Focus on efficient operations of environment protection system, collaborating with LEED for Green Building Certificate.
- Reduction of Carbon footprint by various modes i.e. through EV vehicles
- Dealing with mining vendors for Gems, Stones etc opting ethical mining norms &

practices, compensating sustainability activities (scope -3).

- Exploring suitable sustainable packaging in future terms
- Social risks refer to the impact that companies can have on society. The Company shall undertake social activities such as promoting health and safety, encouraging labour- management relations, protecting human rights and focusing on product integrity. Social positive outcomes include increasing productivity and morale, reducing turnover and absenteeism and improving brand loyalty. The following major activities taken towards social factors are as under:
- Transparency in vendor/manpower selection, equality and opportunity to all.
- Well defined policies and procedures to avoid unethical practices and having proper compliances i.e. no child labour, no gift policy, Anti Bribery & Corruption Policy, supplier code of conduct, whistle blower policy, POSH Policy etc
- Giving back to Community. i.e. Yours' purchase feeds, scholarship etc
- Best practices for employees welfare, care, safety and security, skill & development program, opportunity to grow.
- Dealing matters empathetically and resolving issues with mutual consent.

Governance risks are well taken care of. The rapidly changing legislative framework in India requires a very stringent compliance by corporate entities to the provisions of the Companies Act, 2013, Secretarial Standards, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and various other regulations framed by SEBI on a regular basis, which provide stringent provisions including imposition of penalty and prosecution.

As such, compliance related risks have assumed high importance. In addition to these, there are several laws which govern the operation of any factory, and the Company is exposed to various compliances under the Factories Act, 1948, Pollution Law, etc. The Legal and Secretarial department shall review the legislative changes to ensure that the Company complies with the changing regulations as a constant monitoring process and in time. Timely publication of financial results, annual accounts, seeking various approvals from members etc. are also important aspects of Compliance Related risk.

Departmental Heads furnish compliance certificates regarding compliances of various Laws applicable to their departments, on quarterly basis, which are placed before the Board of Directors.

The Company's Code of business ethics is the key guideline for all employees. The Company is committed to high ethical standards and integrity in its businesses, preventing

corruption and violations of the principles set forth in the code of business ethics of the Company. The Company's top management has zero tolerance for corruption and fraud.

3) Legal Risks:

For alleged non compliances / violation of various laws applicable to the Company, there can be legal liabilities on the Company and the management. This may arise and be fixed on the Directors, individually or collectively and all the officers who are involved.

Risk mitigation

Legal liability risks are minimized by ensuring that legal compliances are duly done with periodical review by the Company Secretary & CFO with comprehensive Compliance Chart and there is constant reporting back to the Board about the compliances. The Company has also taken Directors and officers Insurance Policy against the risks that may arise due to any legal liability.

4) System Risks:

- System capability
- System reliability
- Data integrity risks
- Coordinating and interfacing risks

Risk Mitigation Measures:

- IT department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- The Company ensures "Data Security", by having access control/ restrictions.
- Customer credit card data is protected by tokenization of all data so full card information is not stored on any of our servers.
- IT head's responsibility to ensure data safety, privacy, protection and compliances of GDPR regulations.

5) Information Risk

To keep the important information/data, safe, secure and protected. The risk of information are:

- Confidentiality of Information
- Availability/sharing of Information
- Loss of information

Risk mitigation

At Sangam India Limited, we have taken the best possible action to counter competition. We have successfully achieved this by:

- Sharing information to need to know basis
- Information Labelling - public, internal-only, confidential, and restricted and deal accordingly
- Execution of NDA with whom information is being provided.
- Keeping sensitive information in encrypted form
- Keeping information secure, protected and proper backup

Roles and Responsibility of the Risk Management Team:

a. Risk assessment and its management as per identified and defined plan and policies will be done under the leadership of the Chief Risk Officer (CRO) or any other assigned team.

b. Ensuring sound risk management systems and practices are established and maintained to give effect to this identified Policy and the risk appetite statements approved by the Board.

c. Ensuring the accurate, timely and consistent flow of risk management information to the Board.

d. Designing and implementing appropriate risk management processes and controls and establishing a sound risk aware culture throughout the enterprise.

Review and Amendment in the Policy:

a) This Policy shall be reviewed from time to time to ensure it meets the requirements of legislation and the needs of organization.

b) Any subsequent amendment/modification in the applicable laws in this regard shall automatically apply to this Policy.

c) Any change/amendments to this policy shall be approved by Risk Management Committee and any other person authorised by it.

7. DISCLAIMER CLAUSE:

The Management cautions that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

Note: The Risk Management Policy was reviewed and approved by the Board of Directors in its meeting held on 12.02.2025.