

**RISK MANAGEMENT POLICY
OF
T T LIMITED**

1. PREFACE:

Risk is an inherent part of business but it can be mitigated through a robust Risk Management Mechanism. Risk Management in a business environment is attempting to identify and then manage threats that could severely impact or bring down the organization.

Under this framework, we have laid down risk management policy which defines the process for identifications of risks, its assessment, mitigations measures, monitoring and reporting. While our employees and executive management team continuously identify risk, the audit committee reviews the identified risk and its mitigation measures annually.

2. PURPOSE AND SCOPE:

This Risk Management Policy is applicable to all employees, activities and processes associated with the normal operations of TTL. The aim of risk management is to maximize opportunities in all activities and to minimize adversity.

3. DEFINITIONS

“**Audit Committee**” means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013.

“**Board of Directors**” or “**Board**” in relation to a company, means the collective body of Directors of the Company.

“**Independent director**” means an independent director referred to in sub-section (6) of section 149;

“**Managing director**” means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

“**Risk**” means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

“**Risk Management**” means the systematic way of protecting business resources and income against losses, so that the objectives of the Company can be achieved without any interruption.

“**Risk Management Process**” means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.

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4. KEY COMPLIANCE REQUIREMENTS IN RELATION TO RISK GOVERNANCE:

SECTION	PROVISION OF LAW	RESPONSIBILITY CENTER	ROLES/FUNCTIONS
134 of Companies Act 2013	The board of directors report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company	Board	<ul style="list-style-type: none"> • Approve risk policy and strategy as submitted by Risk Management Committee • Supports an environment that does not tolerate behavior which might compromise prudent risk management practice • Delegate the review & monitoring of implementation of risk Management Policy to the Audit Committee
Section 177(4) of Companies Act 2013	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 internal financial controls and risk management systems.	Audit Committee	<ul style="list-style-type: none"> • Reviews adequacy and effectiveness of business risk management • Reviews and approves (internal and external) audit plans • Improves risk management techniques and enhances management awareness • Laying down criteria for evaluation of risk • Ensures a structured and consistent approach • Monitors emerging issues and share best practice.
SCHEDULE IV of Companies Act 2013 R/w [Section 149(8)] of Companies Act 2013	<p>II. Role and functions: -</p> <p>(1) Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key Appointments and standards of conduct;</p> <p>(2) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;</p>	Independent Director	<ul style="list-style-type: none"> • Bring an independent judgment on issues of strategy, performance, risk management, resources, key appointments and standards of conduct; • To observe: compliance on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
N/A	N/A	Managing Director/CEO/ Functional Head	Responsible for identifying risks and for preparing risk profile. Responsible for managing risk

N/A	N/A	Senior Level Management and Internal Auditor	<ul style="list-style-type: none"> • Tests compliance at all relevant levels • Adherence to agreed risk management process • Scopes audit work based upon severity of risk to the business • Special investigations as requested
N/A	N/A	Employees	<ul style="list-style-type: none"> • Compliance with requests from Management in connection with application of this policy • Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected

5. RISK STRATEGY OF TTL:



Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Board of Director(s) along with their considered views and recommendations for risk mitigation.

6. RISK MANAGEMENT FRAMEWORK:

TTL adopts a systematic approach to mitigate various types of 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. Company has divided the risk into various categories and each risk includes measures which aims to reduce loss.

RISK	LEVEL OF RISK (High/Medium /Low)	MITIGATING MEASURES
BUSINESS OPERATING RISK		
Availability of Raw Material	Low	There are multiple options available for all our raw materials, hence there is never a problem as long as we plan and order in time. All routine requirements are planned monthly, and important high value ones are monitored at daily basis (like cotton). We have excellent relationship with vendors, ensuring preference in case of any bottle neck.
Logistics	Low	Possibility to optimize the operations, by having a combination of transportation through road/rail/sea/air are explored. TTL has a person at all location to handle all requirements relating to movement of raw materials, finished goods, scrap etc.
Demand & Supply	Medium	TTL believes in regular Expansion of customer base, improvement in product profile, effective delivery mechanism, Effective plan for production and sales, appraisal of market dynamics to reduce gap between Demand and Supply. TTL estimates the demand during a particular period and accordingly supply is planned and adjusted.
Quality	Medium	The top management personally handles any quality complaint and takes immediate rectification action. Quality inspections are employed at all locations for continuous monitoring. Quality Claims and replacements are negligible in TTL.
Increase in Commercial Costs	Medium	Effective steps are being taken to reduce cost of production on a continuing basis through focus on cost and realization, budgets, budgetary controls, management control system, close watch on market dynamics etc.

FINANCIAL RISK		
Financial solvency and liquidity	Low	<p>Proper financial planning is put in place with detailed annual business plans at appropriate levels within the organization.</p> <p>TTL constantly reviews its working capital limits and other term loans at regular frequent intervals to keep the financial position intact.</p> <p>Daily and monthly cash flow are prepared and monitored at senior levels to access the fund requirements and ensure utilization of funds in an effective manner. Internet Banking facility being used for optimum utilization of funds.</p>
Cash Management	Low	<p>Cash management system is mostly digitalizing in TTL. There is low dealing in cash transactions and each and every transaction are duly managed and control under the supervision of competent authorities of TTL at its various units.</p>
Credit Risk	Medium	<p>Following process to be carried out to avoid credit risk: -</p> <ul style="list-style-type: none"> • Track Record of party • Assessment by dealing officer • Profile of party • General Market Intelligence

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		<ul style="list-style-type: none"> • Bad debts track record (for existing parties) <p>On following Parameters credit period being granted to parties by TTL: -</p> <table border="1" data-bbox="873 436 1458 871"> <thead> <tr> <th>Products</th> <th>Credit Days</th> </tr> </thead> <tbody> <tr> <td>Yarn</td> <td>3D-15D (Max. 30D with approval from authorized person)</td> </tr> <tr> <td>Fabric</td> <td>7D-60D (Max. 90D with approval from authorized person)</td> </tr> <tr> <td>Garment</td> <td>7D-60D (Max. 90D with approval from authorized person)</td> </tr> </tbody> </table> <p>All International Business is being done only on irrevocable letter of credit or minimum 25% advance payment and balance cash against document.</p> <p>No credit is given to defaulter customer irrespective of quantum and size of order.</p> <p>Defaulter is defined as a customer whose payment os delayed by more than 180days.</p> <p>Auto Locking of Invoice on exceeding Credit Limit or days</p> <p>Regular monitoring by Senior Management.</p> <p>Appropriate Recovery management and regular follow up. We have a Lawyer on retainership to ensure quickly and timely legal action.</p>	Products	Credit Days	Yarn	3D-15D (Max. 30D with approval from authorized person)	Fabric	7D-60D (Max. 90D with approval from authorized person)	Garment	7D-60D (Max. 90D with approval from authorized person)
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<p>Risk of Corporate Accounting Frauds</p>	<p>Low</p>	<p>Enforcing and Monitoring Code of Conduct for Key Executives</p> <p>Instituting Whistleblower Mechanisms as per policy.</p> <p>Continual changes are made as and when required.</p> <p>Adhering to internal control practices that prevent collusion and concentration of authority.</p> <p>Employing mechanisms for multiple authorization of key transactions with cross checks</p> <p>Creating a favorable 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.</p>								

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FOREIGN EXCHANGE RISK	Low	<p>Foreign currency exposures are recognized from the time an export order and/or Purchase Orders by customers.</p> <p>The Company sells forward currency to match with the tenure of sales receivable. Minimum 90% of the receivable use to remain hedged.</p> <p>Finance Department of TTL specify transaction limits, execute, monitor and control such transactions.</p>
HUMAN RESOURCE RISK		
Labour Turnover and Unrest risk due to strikes and Lockouts	Medium	<p>Labour turnover is higher now a day, hence dedicated officer is assigned to be in regular touch with labour and understand their problems. Accommodation is provided and attention paid to other welfare activities.</p> <p>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. Incentive being awarded to Workers who bring persons from his contacts.</p>
Replacement/Training/Skill risk	Medium	<p>Ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence.</p> <p>Inculcate in employees a sense of belonging and commitment and also effectively train them in spheres other than their own specialization.</p>
Attracting appropriate talent at managerial level to execute company vision and strategy	Medium	<p>Company follow recruitment policy for recruitment of personnel at various levels in the organization through advertisements, references and placement agencies.</p> <p>Top management personally interviews all shortlisted candidates and normally 2-3 rounds of interview are done to judge the competence.</p> <p>Activities relating to the Welfare of employees are undertaken.</p> <p>Employees are encouraged to give suggestions and discuss any problems with their Superiors.</p> <p>Efforts are made to keep cordial relations with employees at all level.</p>

POLITICAL AND ENVIRONMENTAL RISK		
Environment Risk	Low	<p>Extensive plantation of trees around manufacturing plants is undertaken for green belt development.</p> <p>Effluent Treatment Plants and sewage treatment plants are set up at various manufacturing units of TTL</p> <p>Focus on efficient operations of environment protection system and equipment. None of our operations are polluting in nature.</p>
Disaster Risk	Low	<p>The properties of the company are insured against natural risks, like fire, earthquakes etc. with periodical review of adequacy, rates and risks covered.</p> <p>Fire extinguishers have been placed at fire sensitive locations. First aid training is given to watch and ward staff and safety personnel.</p>
Political Risk	Low	<p>Reviewing and monitoring the country's textile related industrial, labour and other related policies and involvement in representative industry-bodies.</p>
OTHER RISK		
Legal Risk	Low	<p>Experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments.</p> <p>Management places reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance.</p> <p>The Company has established a compliance management system in the organization and Secretary of the Company being the focal point, get the quarterly compliance reports from various unit heads and being placed before the Board at every quarterly Board meeting of the Company.</p>
System Risk	Medium	<p>ERP department maintains and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.</p> <p>The Company ensures "Data Security", by having access control/ restrictions.</p> <p>Data backups are taken regularly and in a methodical way.</p> <p>Installation of antivirus software to create firewalls.</p>
Cyberattack and data leakage	Low	<p>Privacy and security of data are two of our biggest concerns. Several safeguards and policies have been put in place to protect its network from Cyber Security attack. However, we have been continuously working in the direction of protecting data</p>

7. RISK MONITORING

Monitoring risk involves the re-examination of all risks recorded and plan identification of any new risk and to ensure that the current assessments remain valid and review the progress of risk reduction actions. Risk reviews should form part of every Risk Management Committee meeting agenda.

8. RISK EVALUATION:

After monitoring risk, the same should be evaluated on the basis of criteria laid down by Audit Committee. The criteria laid down by Audit committee should assist in making decisions about the significance of risks and whether each risk need to be considered or not.

9. RISK ESTIMATION:

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences. It should also show the impact on performance/profit – Both Threats and Opportunities.

10. RISK REPORTING**a. Internal Reporting**

- i. Risk and Audit Committee
- ii. Board of Directors
- iii. Functional Heads
- iv. Employees

b. External Reporting

To communicate to the stakeholders on regular basis as part of Corporate Governance

11. RISK APPLICABILITY

The Policy is approved and adopted by the Company on May 17, 2023 and is effective from same date.

12. AMENDMENTS:

This policy may be amended subject to the approval of Board of Directors, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

13. 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.

