GARG ACRYLICS LTD.

Risk Management Policy

Preface:

Risk management is an integral component of good corporate governance and fundamental in achieving the company's strategic and operational objectives. It improves decisionmaking, defines opportunities and mitigates the risks associates with the Company's business.
The Company's Risk Management Policy ("the Policy") aims to ensure appropriate risk management within its systems and culture. 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.

Purpose / Objectives of the Policy

The Risk Management (RM) Policy's goal is to establish a formal risk management process within the company to facilitate risk management activities. The management has formed this policy in order to periodically perform risk assessment exercises and to report key risks, Company is exposed to, under several categories like strategic, financial, operational, regulatory, reputational, people and other risks etc. This document demonstrates the commitment of Management towards the development, implementation, and maintenance of the risk management program to achieve the following.

- To achieve the strategic objective while ensuring appropriate management of risks
- To ensure protection of stakeholder values
- To provide a clear & strong basis, risk informed decision making at all levels of the organization.
- To strive towards strengthening the Risk Management System through continuous learning & improvement.

Key Definitions

The key definitions for this policy follow:

Risk
The chance of something happening that will have an impact on the achievement of the Organisation's objectives. Risk is measured in terms of consequences and likelihood

Risk Assessment
The systematic process of identifying and analysing risks, which shall cover Risk Identification and Categorization, Risk Description and Risk Estimation.

Risk Management
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 Management Process
The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

Roles And Responsibilities Board of Directors
The Board, through the Committee shall oversee the establishment and implementation of an adequate system of Risk Management across the Company. The Board shall comprehensively review the effectiveness of the Company's Risk Management system on an annual basis. The Board may re-constitute the composition of the Committee, as it may deem fit, from time to time.

Audit Committee
The Audit Committee shall evaluate risk management systems in Company and comment on the adequacy and effectiveness of risk management in the company.

Risks and Concerns

Operational and Liquidity Risk
Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

Financial Risk
The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.

Sectoral Risk
The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

Compliance Risk:
Risk of loss resulting from legal and regulatory factors such as Legal Risks & Health, Safety and Environmental Risks

IT-related Risk
Risk of technological challenges and other cyber security risks such as technological risks including hardware and software failure, human error, spam, viruses and malicious attacks and cyber security risks such as ransom ware, phishing, data leakage, hacking, insider threats

Other Risks
Any other risk which affects the business negatively and cannot be categorized in any of the above classifications.

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Risk Management Framework Process

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. A framework for identification of internal and external risks faced by the Company, 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 shall be prepared

STEPS IN RISK MANAGEMENT

- ❖ Risk Identification
- ❖ Risk Assessment
- ❖ Risk Analysis
- ❖ Risk Treatment – Mitigation
- ❖ Risk - Control and Monitoring

A. Risk identification

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

B. Risk Assessment

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk events have been assessed for the purpose of analysing the criticality. The potential impact may include:

- ✓ On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.

  External risks factors:
  - Economic Environment
  - Political Environment
  - Competition
  - Fluctuations in input material
  - Changes in technology
  - Changes in interest rates
  - Changes in government policies
  - Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.

- ✓ Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

Internal risks factors:

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

C. RISK ANALYSIS

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as "high" or "very high" criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

D. RISK TREATMENT - MITIGATION

To ensure that the above risks are mitigated, the Company will strive to:

1. Involve all functions in the overall risk identification and mitigation exercise;
2. Link the risk management process to the strategic planning and internal audit process;
3. To access to all information necessary to fulfil its responsibilities. It has the powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary;
4. The management may in its judgment periodically commission risk management analysis of the Company;

E. CONTROL AND MONITORING MECHANISM

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to the management.

Interpretation

In any circumstance where the terms of this Policy are inconsistent with any existing or newly enacted law, rule, regulation or standard governing the Company, the said law, rule, regulation or standard will take precedence over this Policy.

Review and Amendment

Any change in the Policy shall be approved by the Board. The Board 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 in this respect shall be final and binding. Any subsequent amendment/modification in the Act or the rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.