

STERLING TOOLS LIMITED

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**By NEAPS**

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Scrip Code: STERTOOLS**By Listing Centre**

General Manager
Corporate Relationship Department
Bombay Stock Exchange Limited
1st Floor, P. J. Towers
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Mumbai – 400001

Security Code No. 530759**Date: 3rd November, 2021****Ref.: STL/SD/2021-2022****Sub.: Approval and adoption of Risk Management Policy by the Company.**

Sir

This is with reference to the notification issued by The Securities and Exchange Board of India (the "SEBI") dtd. 5th May, 2021 read with Regulation 21(2), 21(5) and Schedule III, Part D of SEBI (LODR) Regulations, 2015 requiring the top 1000 listed entities to adopt the Risk Management Framework.

Accordingly, the Board of Directors, pursuant to the recommendations of Risk Management Committee and of the Audit Committee, has approved vide Resolution by Circulation effective from 3rd November, 2021, the Risk Management Policy of the Company.

A copy of said Policy is attached herewith and the same will be posted on the Website of the Company.

Sincerely
for **Sterling Tools Limited**


Vaishali Singh
Company Secretary

Encl.: As Above.

Risk Management Policy
(EFFECTIVE FROM 3rd November, 2021)
Sterling Tools Limited

CONTENT

S.No.	Heading	Page No.
1	RISK MANAGEMENT POLICY- LEGAL FRAMEWORK & OBJECTIVE	1
2	RISK MANAGEMENT POLICY OVERVIEW	1
3	RISK CATEGORIZATION	1
4	STL RISK MANAGEMENT SYSTEM OVERVIEW	2
5	ROLE AND RESPONSIBILITY	3
6	RISK MANAGEMENT COMMITTEE	3
7	REPORTING	4
8	REVIEW OF POLICY	4
9	EFFECTIVE	5
10	LIMITATION AND AMENDMENTS	5

RISK MANAGEMENT POLICY

1. RISK MANAGEMENT POLICY- LEGAL FRAMEWORK & OBJECTIVE

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Requirement as per Companies Act, 2013

Responsibility of the Board: As per Section 134 (n) of the Act, 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.

Responsibility of the Audit Committee: As per Section 177 (4)(vii) of the Act, the Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of evaluation of internal financial controls and risk management systems.

Responsibility of the Independent Directors: As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

Requirement of Clause 49 of the Listing Agreement

Responsibility of the Audit Committee: As per Clause II.D, the role of the audit committee shall include the reviewing the company's financial and risk management policies.

OBJECTIVE:- Risk management Policy helps organizations to put in place effective frameworks for taking informed decisions about risk. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors, Company's, Insurers etc. It outlines the framework which will help to achieve more robust risk management.

2. Risk Management Policy Overview

STL is committed to effectively managing operational, financial and other risk in the context of STL's business strategies and with a view to achieving a balance between acceptable levels of risk and reward. STL recognizes that risk management is of concern to all levels of the business and requires a risk management policy and process involving all personnel, with reporting structures to the STL Board.

3. Risk Categorization: -

The types of risk which may be faced by the company include:

Strategic Risk - The risk arising from concentration of resources in or dependence on a narrow range of products, markets, customers, suppliers including risk to reputation/brand of the Company.

<i>Operational Risk -</i>	The risk associated with losses resulting from inadequate or failed processes, people and systems or from external events.
<i>Market Risk -</i>	The risk associated with financial losses arising from STL's activities in its core business areas.
<i>Cyber Risk-</i>	The risk associated with some sort of failure of Company' information technology systems, leading to the loss of confidentiality, integrity, and availability of information
<i>Credit Risk -</i>	The potential for financial loss where a customer or other party fails to meet their financial obligations to STL.
<i>Insurance Risk -</i>	The risk that a claim on a policy of insurance is not met by an insurer.
<i>Financial Risk -</i>	The risk and losses associated with inadequate or inaccurate financial reporting.
<i>Compliance Risk-</i>	<i>The risk and losses associated with the changes to laws, regulations or interpretations because of inadequate controls or issues related to training, due diligence and human error.</i>
<i>Knowledge Risk-</i>	These risks are associated with the management and protection of knowledge and information within enterprise.

This policy describes the risk management methodology, structure and system employed across the STL Group.

4. **STL Risk Management System Overview**

STL's risk management system ("the Policy") focuses on:

- identifying risk;
- analysing risk;
- evaluating risk; and
- managing risk.

The risks are documented and recorded in a risk management database that reports to all participants and stakeholders of the process.

Identifying, Analyzing and Evaluating the Risk

Each business unit is responsible for identifying and documenting the risks to that business. The risks to the business, including its causes, are identified and documented.

Each risk is then analyzed in terms of likelihood/probability and consequences/impact and the adequacy of existing controls.

These criteria are used to determine the level of risk, ranging from 'low' to 'extreme', and to aid in identifying the order of priority in which risks and their associated mitigating actions should be addressed by the businesses.

Managing the Risk

The Board oversees, reviews and monitors the risk register half-yearly, or in the case of escalated and high priority risks, quarterly.

The Board receives reports and escalations from the Risk Management Committee.

The Risk Management Committee will form a Sub-Committee to be known as the Operational level Risk Management Committee comprises the risk management delegates of all business units. It is charged with overseeing the management of all business risks across the Company with a particular view to ensuring that mitigating actions are being performed and overall risks are minimized.

5. ROLES AND RESPONSIBILITIES

(a) *Board responsibility*

The Board is responsible for the oversight of the risk management framework. This includes policies and procedures related to risk management, risk profile, risk management and assessing the effectiveness of risk oversight and management.

(b) *Audit Committee*

The Audit Committee is responsible for advising the Board on risk management and compliance management and to assist the Board in fulfilling its risk management and oversight responsibilities.

(c) *Risk Management Committee*

The Risk Management Committee will drive the process of risk management and report new risks or changes to existing risks to the Audit Committee and will submit its half yearly report to the Audit Committee/ Board about the measures taken for mitigation of Risk in the organization based on the reports given by the Operational Level Risk Management Committee

(d) *Operational Level Risk Management Committee*

All Risk Management delegates – the members of Operational Level Risk Management Committee are responsible to ensure that systems, processes and controls in STL are in place to position identified risk at an acceptable level and to report the probable risks along with its impact/consequences to the Operational Level Risk Management Committee.

(e) *Employee responsibility*

All employees of STL (if any) must report any new risks or changes to existing risks to their managers or supervisors as soon as they become aware of the risk.

6. THE RISK MANAGEMENT COMMITTEE

Pursuant to clause 49 of the listing agreement a Committee be and is hereby constituted to be known as “Risk Management Committee” and the Risk Management Committee shall have minimum three members with majority of them being members of the Board of Directors, including at least one independent director.

Quorum

The quorum for a meeting of the RMC shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the Board of Directors in attendance.

Frequency of Risk Management Committee Meeting

The Risk Management Committee meets at least twice in a year and as required to address escalated risks from the Departments.

The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

Role of Risk Management Committee

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring of the risk management plan to the Committee & such other functions as it may deem fit.

The Role of Committee shall include the following :-

1. To formulate a detailed risk management policy which shall include:
 - (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) to review the Business continuity plan as recommended by the Management.
 - (d) to finalize the sample risk assessment forms/matrix to be used by the Operational level Risk Management Committee, the reporting mechanism, and the frequency of their meetings.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company .
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems .
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity

7. REPORTING

The Risk Management Committee must report new risks or changes to existing risks to the Chairman of the Audit Committee as soon as practicable after becoming aware of such risks. The intended outcomes of the risk management Programme include:

- a) the establishment of a robust risk management framework and internal control system that enhances STL's ability to meet its strategic objectives;
- b) improved operating performance and reliable internal and external reporting;
- c) increased awareness and management of risk;
- d) compliance with policies and procedures and applicable laws and regulations.

8. REVIEW OF THE POLICY

This policy shall evolve by review by the Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/operational heads and other concerned persons of the Company

9. EFFECTIVE DATE

This policy was first approved by the Board of Directors on 03rd November, 2021.

10. LIMITATION AND AMENDMENT

- a) The Board of Directors may in their discretion and on recommendation of the Audit Committee, make any changes/modifications and/or amendments to this Policy from time to time.
- b) In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over and automatically be applicable to this Policy and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the law.
