RISK MANAGEMENT POLICY

CLAY CRAFT INDIA LTD

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1. PREAMBLE

Pursuant to the provisions of Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Section 134(3) of the Companies Act, 2013, this Risk Management Policy ("Policy") establishes the philosophy of Clay Craft India Ltd ("Company"), towards risk identification, analysis and prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company.

This Policy is applicable to all the functions, departments and geographical locations of the Company. The purpose of this Policy is to define, design and implement a risk management framework across the Company to identify, assess, manage and monitor risks.

2. OBJECTIVE

The objective of this Policy is to manage the risks involved in all activities of the Company, to maximize opportunities and minimize adversity. This Policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives. The objectives of the Policy can be summarized as follows:

(a) To safeguard the Company's property, interests, and interest of all stakeholders.
(b) To manage risks with an institutionalized framework and consistently achieving desired outcomes.
(c) To protect and enhance the corporate governance.
(d) To implement a process to identify potential/emerging risks.
(e) To implement appropriate risk management initiatives, controls, incident monitoring, reviews and continuous improvement initiatives.
(f) Minimize undesirable outcomes arising out of potential risks.
(g) To align and integrate views of risk across the Company.

3. COMPONENTS OF A SOUND RISK MANAGEMENT SYSTEM

The risk management system in the Company should have the following key features:

(a) Appropriate policies, procedures and limits.
(b) Appropriate management information systems at the business level.
(c) Comprehensive internal controls in accordance with current regulations.
(d) Comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks.
(e) A risk culture and communication framework.
(f) Active Board of Directors, Committee and Senior Management oversight.

4. RISK MANAGEMENT

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of an organization's strategic and financial goals.

5. RISK GOVERNANCE STRUCTURE

The Company has established three levels of risk management responsibilities in its Governance structure as Risk Oversight, Risk Infrastructure and Management and Risk Ownership.

A. RISK OVERSIGHT

Board of Directors

The Board shall be responsible for defining the risk management strategy and objectives, overseeing the implementation of the risk management process and setting the tone and culture towards effective risk management. The Board shall define the risk management policy and critically review the risk governance and monitoring mechanism.

The Board shall review at least once in a year the top risks faced by the Company and the status of their mitigation plan. It will also, review the Risk Management policy at least once in two years.

Audit Committee

Audit Committee shall be entrusted with the responsibility of periodic evaluation of risk management program and provide insight and direction to the senior management of the Company. The audit committee would have an oversight of the management of Operational and Financial Risks faced by the Company. For this, the audit committee would rely on the Internal Financial Controls and Internal Audit mechanism put in place by the Company.

B. RISK INFRASTRUCTURE AND MANAGEMENT

Senior Management Team:

The senior management team shall be accountable to design and implement risk management processes within the organization. The primary responsibility of this team shall be implementing the Risk Management Policy within the Company and developing a risk intelligent culture that helps improve organization resilience to critical business risks. They would support in identifying high priority risk, defining the right mitigation strategies and review the status of its mitigation plan on periodic basis.

Risk Coordinator:

The Internal Audit Team shall act as risk coordinator. The risk coordinator shall ensure risk management processes as defined in this policy are executed and coordinate the effort of various functions to deliver consolidated view to the Senior Management Team and the Audit Committee. The risk coordinator would also be responsible for conducting internal risk review meetings, maintaining risk registers and risk management policy, and suggesting best practices for strengthening the risk management process.

C. RISK OWNERSHIP

The final ownership of risk identification, monitoring and mitigation shall rest with the respective functional heads. The function heads of Company's business units shall accept the risk of their

respective areas and own the risk management plan of their unit. The risk owner shall drive and monitor the progress of the mitigation strategies. The risk owner may further delegate the mitigation strategies and action plans down the hierarchy to ensure ground level implementation of the mitigation action plans.

The risk owner shall also be responsible for reporting the status of mitigation plan to the Risk Coordinator. For cross-functional risk, a cross-functional team with clear demarcated roles and responsibilities shall be formed to drive implementation of mitigation action plans and review risk status periodically. Thus, the Company's Risk Management framework is well integrated with the business operations and key executives play vital role in its implementation, upholding its integrity.

6. RISK MANAGEMENT PROCESS

In order to manage the risks in a systematic manner, the Company has followed the Risk Management framework. This process encompasses all the basic elements of Risk Management process steps and components.

(a) RISK IDENTIFICATION

Identification of risks is the responsibility of each business/corporate function and is performed based on internal ideation, industry and market research, scanning the external environment, inputs from Annual Operating Plans and Long-term strategy and Leadership inputs. The broad categories of risks include Financial, Operational, Reputational, Regulatory, Third-party, Sustainability, Social, Environmental and Technological Risks. The process followed includes every function/unit revisiting its key risks at periodic intervals.

(b) ASSESSMENT AND PRIORITIZATION

Risks so identified are assessed to classify them as per the criticality for the business. This would enable prioritization of risks and decide the right risk management strategies appropriate for the different class of risks. Wherever, applicable and feasible, the risk appetite is also defined, and adequate internal controls are installed to ensure that the limits are adhered to.

The process of assessment is based on two parameters – risk impact and risk likelihood. These are rated in terms of High, Medium and Low scales. While prioritizing, risk velocity (which is the speed at which the risk can materialize) is also taken into consideration. Crisis Management plan is defined for risks which have high impact and high velocity. At the end of the risk assessment and evaluation, top 10 risks at the Company level are then prioritized for monitoring and review by the Senior Management Team and the Audit Committee on periodic basis.

(c) MANAGE AND RESPOND

Each functional head/unit head is responsible for implementing the mitigation plan for the identified key risks for their relevant area. For every such risk, result and effort metrics are defined with milestones to ensure that the mitigation plans are acted upon and reviewed. Effort metrics refers to specific actions to be taken by the respective function or the organization. Result metrics are key internal or external indicators which represent the outcome of the efforts on the risk mitigation plan. Milestones are defined for next years for each result metrics wherever feasible. The respective Risk Owner provides status update on the mitigation plan to the Risk Coordinator on at least quarterly

basis.

(d) RISK MONITORING AND REPORTING

The Risk Coordinator works with the respective Risk Owners to track status of mitigation plan for key risks which is reported to Senior Management Team. Status of mitigation of the top 10 strategic and business risks are monitored by the Senior Management Team on quarterly basis and Audit Committee on a half yearly/annual basis. The Senior Management Team also conducts a risk review exercise on an annual basis. Risk reviews ensures identifying any new risk, modifying existing risk, scanning external environment for emerging risk and accordingly updating the priority for risks.

7. BUSINESS CONTINUITY PLAN

Business Continuity Plans (BCP) are required to be defined for risks corresponding to High Impact and High Velocity to enable rapid response to address the consequence of such risks when they materialize. Business Continuity Planning shall be embedded in the Internal Controls and Crisis Management framework for areas like manufacturing units, sales offices, information technology function, etc.

The Company's Management shall be responsible for laying out crisis response mechanism, communication protocols, and periodic training and competency building on crisis management. The Management shall also conduct periodic disaster recovery mock drills to ensure that the organization is prepared to manage any crisis event quickly for business continuity.

8. COMMUNICATION AND CONSULTATION

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

9. DISCLAIMER CLAUSE

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

10. REVIEW

Effectiveness of risk management framework is ensured through periodical review of this Policy, provided that such review should be undertaken at least once in two years. As the risk exposure of any business may undergo change from time to time due to the changing industry dynamics, evolving complexity and continuously changing environment, the updation and review of this Policy will be done as and when required, by the Board of Directors to ensure that it meets the requirements of legislation and the needs of organisation.

In the event of any conflict between the Companies Act, 2013 or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the Regulations shall prevail over this Policy. Any subsequent amendment/modification in the SEBI Listing Regulations, in this regard shall automatically apply to this policy.

11. APPROVAL OF THE POLICY

The Board will be the approving authority for the Company's overall risk management system. The Board will, therefore, approve this Policy and any amendments thereto from time to time.

Approved in the Board Meeting held on 20th August, 2025.

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