RISK MANAGEMENT POLICY

SILLY MONKS ENTERTAINMENT LIMITED
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RISK MANAGEMENT

Silly Monks Entertainment Limited (The Company) recognises that enterprise risk management is an integral part of good management practice. The purpose of this policy is to articulate our approach and expectations in relation to the management of risk across the organisation. Risk Management is an essential element in achieving business goals and deriving benefits from market opportunities.

DEFINITIONS:

a) **'Risk'** in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

b) **'Risk Management'** is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

c) **'Risk Assessment'** is the systematic process of identifying and analyzing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

Effective risk management allows us to:

- Have increased confidence in achieving our goals
- Manage risks at tolerable levels
- Make informed decisions
- Strengthen corporate governance procedures

OBJECTIVE

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 risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, to guide decisions on risk related issues. The specific objectives of the Risk Management Policy are:

i) To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

ii) To establish a framework for the company's risk management process and to ensure its implementation.
iii) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
iv) contribute to the achievement of the Company's objectives; and
v) To avoid exposure to significant financial loss and assure business growth with financial stability.

BACK GROUND AND IMPLEMENTATION:

- The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.
- This policy is in compliance with Section 134 (3) (n) of Companies Act 2013 and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires the Company to develop and implement a policy identifying elements of risks, if any, which in the opinion of the Board may threaten the existence of the Company.
- Further, the provisions of Section 177(4) (vii) of the Companies Act, 2013 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.
- This policy lays down procedure for risk assessment and risk minimization.
- As Regulation 21 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable to the Company as the Company is listed on SME Exchange, the Risk Management Committee is not constituted.
- The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.
- Head of Departments of the Company shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.
- This policy applies to all areas of the Company's operations.

RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below

i) External Risk Factors

- **Illegal use and exploitation of Company's content and/or intellectual property rights and inadequate judicial systems and remedies:**
  Our industry is highly dependent on maintenance of intellectual property rights in the entertainment content. Piracy, namely the infringement of exclusive rights in creative works, is rampant globally, and can only be minimized by speedy and cost effective judicial remedies which may not always be available.

- **Economic Environment and Market conditions Risks:** Company's performance and growth are dependent on the health of the Indian economy and more generally the global economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. In recent years, India has been following a course of economic liberalization and our business could be significantly influenced by economic policies adopted by the Government.

- **Competition risks:** The Company may face competition from both new as well as existing players in the films and digital media Segments and this may increase demand for the limited content pool, which may in turn contribute to an increase in costs for content acquisition. Further, the prices of commercially compelling content may rise disproportionately due to scarce supply of such content.

- **Government policy and political risks:** The Government has traditionally exercised and continues to exercise influence over many aspects of the economy. Our business and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India.

  Any change in the Government's policies in future could adversely affect business and economic conditions in India and could also adversely affect our business prospects, financial condition and results of operations. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and specifically have an adverse effect on our operations.

ii) Internal Risk Factors

- **Technology Obsolescence:** The Company strongly believes that technological obsolescence is a practical reality. The media and entertainment industry continues to undergo significant technological developments, including the ongoing transition from physical to digital media. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology

- **Strategic business risks:** The Company earn revenues by exploiting content that it distributes through various distribution channels. Acquisition of content is an integral part of Company's business. Our ability to successfully acquire content depends on our ability to maintain existing relationships and form new ones, with industry participants. We believe maintaining existing relationships is key to enabling us to continue to secure content and to exploit such content in the future. Further, on front of film production business it depends substantially on consumer tastes or preferences that often change in unpredictable ways. There is no assured way of predicting whether any film will be successful or not.

The Company's Board and its business management group have a rich experience within their respective specialised segments, as well as in the entertainment industry and have benefited from long-standing relationships with certain industry participants in the past, The Company believes that, our management team possesses an in-depth understanding of the Indian film industry, content and content exploitation, and is therefore well-positioned to focus on the continued expansion and strengthening of our Content Library and distribution network. Further, the Company has established its presence in various diversified distribution platforms to minimise and mitigate its risks and attempts to De-risk its business model.

- **Legal and regulatory compliance risks:**
  Legal risk is the risk in which the Company is exposed to legal actions. As the Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure.

- **Human resource risks**: Human Resources Development (HRD) Department will add value to all the divisions of the Company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organisational excellence. Our growth has been driven by our ability to attract top quality talent and effectively engage them in right jobs.

  Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas etc. It is believed that a satisfied and committed employee will give his best and create an atmosphere that cannot be conducive to risk exposure. Employee-compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance.

- **Risks arising from exchange rate fluctuations**:
  The company incurs expenditure and earn revenue denominated in foreign currencies in the course of its operations when acquiring or monetising our content and in respect of overseas market. Any fluctuation of the Indian Rupee against the currency in which we have an exposure may increase the Indian Rupee costs to us of our expenditure or may reduce the revenue to us. The Company has limited foreign currency exposure and has a natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments

ROLE OF THE BOARD

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall identify, evaluate and estimate risks at regular intervals.
- The Board may delegate monitoring and reviewing of the risk management plan and such other functions as it may deem fit.

- Ensure that the appropriate systems for risk management are in place.
- The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- Participate in major decisions affecting the organization's risk profile;
- Monitor the management of strategic risks;
- Ensure that the processes and controls are in place for managing less significant risks;
- Ensure that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into Board reporting and annual reporting mechanisms;
- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- Convene any board-committees meeting that are deemed necessary to ensure risk is adequately managed and resolved where possible.

DISCLOSURE IN BOARD'S REPORT

Board of Directors shall include 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.

COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk.

REVIEW AND AMENDMENT

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

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

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