

GOLDEN CARPETS LTD (GCL)

RISK MANAGEMENT POLICY OF GCL

BACKGROUND:

This policy lays down the framework of Risk Management at GCL. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

Risk Management Policy is framed as per the following regulatory requirements:

COMPANIES ACT, 2013:

1. Provisions of the Section 134(3) stipulates:

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

(n) 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.

2. Provisions of the Section 177(4) stipulate:

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

(vii) evaluation of internal financial controls and risk management systems.

3. Provisions of the SCHEDULE IV [Section 149(8)]:

CODE FOR INDEPENDENT DIRECTORS

The independent directors shall:

(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;

(2) satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible;

GCL being a listed company is required to adhere to the regulations made both by the Companies Act, 2013 and Regulations governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

1. PURPOSE AND SCOPE OF THE POLICY:

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 Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of this Policy are:

- a. 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.
- b. To establish a framework for the company's risk management process and to ensure its implementation.
- c. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- d. To assure business growth with financial stability.

2. APPLICABILITY:

This Policy applies to all areas of the Company's operations.

3. KEY DEFINITIONS:

I. Risk Assessment –

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.

II. **Risk Management –**

The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

III. **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.

4. **RISK FACTORS:**

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

i. **External Risk Factors**

- a. **Economic Environment and Market conditions**
- b. **Political Environment**
- c. **Competition**
- d. **Inflation and Cost structure-**

Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer timeframe, as much higher risks for inflation and resultant increase in costs.

e. **Technology Obsolescence –**

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

f. **Legal –**

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

ii. **Internal Risk Factors**

- a. Project Execution
- b. Contractual Compliance
- c. Operational Efficiency

- d. Hurdles in optimum use of resources
- e. Quality Assurance
- f. Environmental Management
- g. Human Resource Management
- h. Culture and values

5. RESPONSIBILITY FOR RISK MANAGEMENT:

Generally every staff member of the Organization is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

6. 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 Organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

7. REVIEW:

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

8. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.
