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# **RISK MANAGEMENT POLICY**

**(This policy has been framed in accordance with the provisions of  
Section 134(3)(n) of the Companies Act, 2013**

<b><u>Adoption Date</u></b>	<b><u>Adopted &amp; Approved By</u></b>
01.02.2025	Board of Directors

## **Preamble**

**Gupta H.C. Overseas (I) Private Limited** (hereafter referred to as “Company”) recognizes that enterprise risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

The provisions of *Section 134(3)(n) of the Companies Act, 2013* necessitate that the Board’s Report should contain 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. In line with the above requirements, it is therefore, required for the Company to frame and adopt a “Risk Management Policy” (this Policy) of the Company.

## **Objective**

As companies are prone to internal and external risks, the main objective of this policy is to ensure sustainable business growth with safety and stability, while promoting a pro-active approach in evaluating, reporting, and addressing risks associated with the business. The policy endeavours to establish a structured and disciplined approach to Risk Management, which can act as a guide to decision making, more specifically relating to risk encountered or anticipated by the business.

## **Scope**

The policy guidelines are developed based on the current business profile, future growth prospects, and objectives necessary to achieve the company's goals, while also aligning with emerging global standards and best practices in the industry. This policy applies to all events within the company, as well as external events that impact the company's business operations.

## **Applicability**

This Policy applies to every part of the Company’s business and functions.

## **Definitions**

“**Board**” means the Board of Directors of the Company.

“**Company**” means Gupta H.C. Overseas (I) Private Limited.

“**Risk**” means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.

## **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. The Risk Management shall provide reasonable assurance in protection of business value from uncertainties and consequent losses.

## **Importance of Risk Management**

Effective management of risk helps to manage innovation and improve performance by contributing to:

- Increased certainty and fewer surprises,
- Better Product delivery,
- More efficient use of resources,
- Better management at all levels through improved decision making,
- Reduced waste and fraud,
- Better value for money, etc

## **Risk Management Procedures**

Risk Management Process includes four activities:

- i. Framework for Risk Identification,
- ii. Risk Assessment,
- iii. Measures for Risk Mitigation and
- iv. Monitoring & Reporting.

## **Framework for Risk Identification**

The purpose of framework of Risk identification is to identify the events that can have an adverse impact on the achievement of the business objectives. Board consistently monitors and identifies various types of risks across multiple categories which includes:

- I. Operational Risks
- II. Economic and Transaction Risks
- III. Technological Risks
- IV. Reputational Risks
- V. Quality Risks
- VI. Compliance Risks
- VII. Sustainability risks (particularly, environment, safety and governance related risks)
- VIII. Information, Cyber security Risks

## **Risk Assessment**

Assessment involves quantification of the impact of Risks to determine potential severity and probability of occurrence. Risk analysis involves:

- consideration of the causes and sources of the risk
- the trigger events that would lead to the occurrence of the risks
- the positive and negative consequences of the risk
- the likelihood that those consequences can occur

Factors that affect consequences and likelihood should be identified. Risk is analyzed by determining consequences and their likelihood, and other attributes of the risk.

## **Measures for Risk Mitigation**

The following framework shall be used for implementation of Risk Mitigation:

<b>Type of Risk</b>	<b>Measures of Risk Mitigation</b>
<p><b><u>Operational Risks</u></b></p> <p>Operational Risks/Business risk relates to the day-to-day business activities carried out within an organization, arising from structure, systems, people, products or processes. The Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.</p>	<ol style="list-style-type: none"> <li>1. Producing and supplying good quality products. Tightening selection criteria and parameters.</li> <li>2. Continuous investing in research and development and technology for improvements.</li> <li>3. Introduction of new products and new categories.</li> <li>4. Reducing dependence on import suppliers by domestic sourcing and in-house manufacturing.</li> <li>5. Space Amplification to enhance Production/Office Capacity.</li> <li>6. Framing, following, updating and adhering Standard Operating Policies (SOPs) to meet the requirements regulatory, economic, social changes and emerging economic and market conditions</li> <li>7. Closely observing market conditions to adjust business operations as needed.</li> <li>8. Directors' Participation in Fairs/Exhibitions and Networking with Key Officials of Prominent Brands to drive business operations and accelerate growth.</li> </ol>
<p><b><u>Transaction Risks</u></b></p> <p>Transaction risk involves changes in the cash flow of a foreign transaction settlement due to unfavorable exchange rate fluctuations.</p>	<ol style="list-style-type: none"> <li>1. Monitoring fluctuations in currency prices and inflation trends.</li> <li>2. Reducing transactional risk through a range of hedging strategies by utilizing various money market and capital market instruments.</li> </ol>
<p><b><u>Financial Risks</u></b></p> <p>Financial risk is the possibility of losing money on an investment or business venture.</p>	<ol style="list-style-type: none"> <li>1. Making Efforts to increase the turnover, profitability, and resultant liquidity position of the Company.</li> <li>2. Timely reconciling and settling Debtors &amp; Creditors Accounts.</li> <li>3. Analyzing and approving investments while taking into account the risk profile.</li> <li>4. Insuring the company's premises, plant &amp; machinery, and other vital assets, including marine and inter-unit/location goods movement.</li> </ol>
<p><b><u>Technological Risks</u></b></p> <p>The risk associated with the evolution of the design to meet the stakeholder expectations and technical requirements.</p>	<ol style="list-style-type: none"> <li>1. Adopting modern processes and technologies for product development &amp; delivery.</li> <li>2. Developing an innovative ecosystem to enhance collaboration.</li> <li>3. Meeting regularly with buyers to understand their demands.</li> <li>4. Continuously replacing inefficient equipment with the latest energy-efficient technology and upgrading equipment.</li> </ol>

<p><b><u>Reputational Risks</u></b></p> <p>Unforeseen events or social media activities can adversely impact the Company's reputation and brand recall.</p>	<ol style="list-style-type: none"> <li>1. Conducting extensive brand research to track awareness.</li> <li>2. Improving brand differentiation with a focus on durability.</li> <li>3. Strategizing to enhance overall brand perception and value.</li> </ol>
<p><b><u>Quality Risks</u></b></p> <p>Deviation from assured quality and performance expectations can significantly affect brand perception.</p>	<ol style="list-style-type: none"> <li>1. Regularly conducting Social Audits through International Certified Agencies in order to comply with safety and quality standards.</li> <li>2. Investing in initiatives to identify and mitigate quality concerns.</li> <li>3. Prioritizing the regularization of Non-Compliance (NC) issues.</li> <li>4. Ensuring continuous improvement in product safety and quality.</li> </ol>
<p><b><u>Compliance Risks</u></b></p> <p>The risk of failing to comply with laws and regulations, along with the challenges of poor governance.</p>	<ol style="list-style-type: none"> <li>1. Upholding compliance with safety, quality, and environmental regulations.</li> <li>2. Regularly reviewing and updating compliance strategies.</li> <li>3. Holding frequent meetings with consultants to upgrade the operating system and workforce.</li> <li>4. Ensuring all operations aligning with legal and regulatory standards.</li> <li>5. Staying updated on the latest amendments and conducting training programs for the workforce to ensure compliance with relevant laws.</li> </ol>
<p><b><u>Safety &amp; Sustainability Risk</u></b></p> <p>Environmental, Social and Governance (ESG) are three central factors in measuring the sustainability and ethical impact of a company whereas Safety Risks are situations or conditions that increase the likelihood of accidents or injury.</p>	<ol style="list-style-type: none"> <li>1. Educating, training, and motivating employees to conduct all activities in a safe and environmentally responsible manner.</li> <li>2. Striving for an injury-free workplace through high employee involvement and strong environment, health, and safety programs.</li> <li>3. Training and motivating employees while promoting awareness of advanced safety measures to minimize hazards and enhance performance.</li> <li>4. Frequently conducting Drill-Evacuation &amp; Fire Fighting to ensure the readiness of the equipment and personnel for an unfortunate situation and maintaining adequate records for the same.</li> <li>5. Covering all eligible workers &amp; staff members under social security insurance of ESI.</li> <li>6. Complying with all applicable EHS regulatory requirements.</li> <li>7. Constituting various internal committees such as Health &amp; Safety Committee; Canteen Committee; Workers Committee; SPT (Social Performance Team) Committee, POSH Internal Committee, etc., to ensure the health &amp; safety of the workforce &amp; environment as a whole.</li> </ol>

	<ol style="list-style-type: none"> <li>8. Ensuring the availability of in-house ambulance, full-time paramedic, and part-time physician to safeguard the health and safety of the workforce.</li> <li>9. Establishing a Sewage Treatment Plant (STP) to protect the environment by purifying wastewater, reducing pollution, and promoting water conservation.</li> <li>10. Installing solar power systems on rooftops across all buildings to reduce CO2 emissions and contribute to a greener environment.</li> <li>11. Replacing conventional tube lights with energy-efficient LED lights to promote environmental sustainability by reducing energy consumption, cutting carbon emissions, and ensuring long-term power savings.</li> </ol>
<p><b><u>Information, Cyber security Risks</u></b></p> <p>Information (Data) and Cyber security risk is the probability of exposure or loss resulting from a cyberattack or and data breach on the organization. Organizations are becoming more vulnerable to cyber threats due to the increasing reliance on computers, networks, programs, social media and data globally.</p>	<ol style="list-style-type: none"> <li>1. Administering security procedures, training and testing.</li> <li>2. Maintaining secure device configurations, up-to-date software, and vulnerability patches.</li> <li>3. Configuration of secure networks that can manage and protect business networks.</li> <li>4. Deployment of data protection and loss prevention programs and monitoring.</li> <li>5. Encryption of data where necessary.</li> <li>6. Proper configuration of cloud services.</li> <li>7. Implementation of vulnerability management with internal and third-party scans.</li> <li>8. Protected sensitive data and adhering to regulatory standards.</li> <li>9. Enhanced security measures for devices and data protection.</li> </ol>

### **Monitoring and Reviewing Risks**

Monitoring and review should be a planned part of the risk management process and involve regular checking or surveillance. The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.

The Board of Directors of the Company is responsible for reviewing and ratifying the risk management structure, processes and guideline. Board shall comprehensively review the effectiveness of the Company's risk management system.

### **Review and Amendment of this Policy**

This policy will be reviewed by the Board as and when it deems necessary. Any change in the Policy shall be approved by the board of directors of the Company. 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 Companies Act or the rules framed thereunder in this regard shall automatically apply to this Policy.