



RISK MANAGEMENT POLICY

INTRODUCTION

Gulshan Polyols Limited ("the GPL / Company") considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company's ability to identify and address risk is central to achieve its corporate objectives.

This document lays down the framework of Risk Management at GPL and defines the policy for the same. 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 lays down the mitigation methods which are periodically reviewed and modified in a manner commensurate with the size and complexity of the business. The Company's Risk Management Policy ("the Policy") outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

OBJECTIVE

Risk is a threat that an event or action, at a point in time will adversely affect the Company's ability to maximize stakeholder value and to achieve its business objectives.

Objective of establishing '**Risk Management Framework**' is to increase overall awareness of risk throughout the Company and to enable managers and those responsible for risk reporting, to better identify, assess and control risks within their areas.

REGULATORY FRAMEWORK/ REQUIREMENT

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

A. Companies Act, 2013:

➤ Provisions of the **Section 134(3)**

"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."

➤ **Section 177(4)** stipulates:

"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."

➤ **Schedule IV [Section 149(8)]:**

Code For Independent Directors:

II. Role and functions:

"The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of **risk management**.

(2) satisfy themselves that the systems of risk management are robust and defensible."

B. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations"):

➤ **Regulation 4(2)(f)**- Key functions of the Board

The Board should fulfill certain key functions, including:

a) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.

b) Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

➤ **Regulation 17(9)(b)**, which requires the Company to lay down procedures about risk assessment and risk minimization

The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

➤ **Regulation 21 read with Part D of Schedule II**

i. The Board of Directors of the Company shall constitute a Risk Management Committee

(hereinafter referred to as "Committee")

- ii. The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- iii. The risk management committee shall meet at least twice in a year.
- iv. The quorum for a meeting of the Risk Management Committee 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.
- v. 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.
- vi. The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.:
- vii. The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- viii. The role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II.
- ix. The committee shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.
- x. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day-to-day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who has the sole responsibility for overseeing all risks. The Policy is formulated in compliance with above provisions and other applicable provisions under statutory laws and Regulations.

Oversight and management

BOARD OF DIRECTORS

The Board of Directors (“the Board”) is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committees and Senior Management. The Board of directors defined the roles and responsibilities of the Risk Management Committee and Senior Management. The Committee may also refer particular issues to the Board for final consideration and direction. The Board may delegate such other functions as it may deem fit and required.

RISK MANAGEMENT COMMITTEE

The Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing Regulations. The Committee may include/invite such advisors and members of the management, as may be required.

COMPOSITION

The Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

The Company Secretary shall act as the Secretary to the Committee.

ROLES & RESPONSIBILITIES

The day-to-day oversight and management of the Company’s risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business and other risks. To achieve this, the Committee is responsible for:

- ensuring appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- managing and monitoring the implementation of action plans developed to address material business or other risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reporting to the Board on the status of material business risks and about the nature

- and content of its discussions, recommendations and actions to be taken;
- review and monitor cyber security; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.
- evaluating the adequacy of risk management systems and performance of management in managing risk;
- periodically review of the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity and updating the current list of material business risks;

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

Further, the Company is exposed to commodity risks on a routine basis due to multiple commodities utilized in its manufacturing operations. Such risks are managed by a detailed and regular review at a senior level of various factors that influence the commodity prices as well as tracking the commodity prices on a daily basis and entering into fixed price contracts with overseas suppliers in order to hedge price volatility.

SENIOR MANAGEMENT

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Risk Management Committee along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by an empowered team under the leadership of the CEO, WTD, Senior Management through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk Management Committee.

Accordingly, the Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the member(s) of Risk Management Committee

regarding the status and effectiveness of the risk management program.

SENIOR MANAGEMENT COUNCIL

A Senior Management Council or their member(s) will report to Risk Management Committee under the guidance of the Committee. The Council constitutes with following members:

1. Managing Director
2. Chief Financial Officer
3. Head of Sales and Marketing
4. Head of Plants
5. Head of Procurement & Supply Chain
6. Head of Human Resources
7. Company Secretary

EMPLOYEES

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

RISK MANAGEMENT PROGRAM

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Directors as stated above, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management in guidance of Committee to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

The key elements of the Company's risk management program are set out below:

- ***Risk Identification***

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company majorly focuses on the following types of material risks:

- commodity risk;
- business risk;
- foreign exchange risk;
- technological and cyber security risks;
- strategic business risks;
- compliance/ legal/regulatory risk
- operational risks;
- quality risk;
- competition risk;
- realization risk;
- cost risk;
- financial risks;
- sustainability risk
- human resource risks; and

- **Risk Prioritization**- *identified risks shall be prioritized based on following parameters:*

Impact - Extent to which risk event might affect the company.

Likelihood - The possibility that a given risk event will occur.

The risk becomes more severe as the likelihood and impact increase.

- **Risk Mitigation**-*shall prepare detail plans to mitigate the identified risks. Risk Mitigation process can be broken down into the following activities:*
 - Root cause analysis to identify risk drivers.
 - Development of mitigation strategies.
 - Development of detailed mitigation plans with proper ownership and implementation timelines.
 - Optimum risk coverage for identified insurable risks.
- **Risk Monitoring**-*Review and mapping of improvements in the mitigation status.*
- **Risk Review**- *On an annual basis, Committee shall review and advice the Board.*

Review of risk management program

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 division of responsibility between the Board, the Committee and the Senior Management

aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees responsible for its implementation.

Risk Management System

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Board reviews internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses.

AMENDMENT

Any change in the Policy shall be approved by the Board of Directors. The Board of Directors 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 Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

EFFECTIVE DATE

This policy has been approved by the Board of Directors of the Company and be effective from 2nd November, 2021.
