

## RISK MANAGEMENT POLICY

### **1. Introduction**

1.1 The founding stone of the Business of Trading Carpets was laid down around 26 years back by Late. Mr. Ganesh Prasad Gupta. In 2011, SBC Exports Limited was Incorporated by Mr. Dheerendra Kumar Gupta, Managing Director of the Company with the aim to further extend the vision of his Father. It was incorporated at Mirzapur, Uttar Pradesh on **18th January, 2011** under the provisions of Companies Act, 1956 and the Certificate of Commencement of Business was issued on **23rd February, 2011** by the Registrar of Companies, Uttar Pradesh and Uttarakhand.

1.2 SBC operates in a challenging business landscape and given the current business scenario, requires a structured Risk Management Policy that provides confidence to the stakeholders that the Company's risks are known and well managed, allowing the Executive management to focus on company's growth, strategy and value creation. SBC recognizes that risk is inherent and important to any business activity to achieve the goal of value creation for all its stakeholders and that managing risks effectively is critical to the success of the Company.

### **2. Purpose**

The purpose of this Policy is to:

2.1 Establish common risk management framework across the Company;

2.2 To strengthen and continually evolve an effective ERM framework across SBC to achieve sustainable growth ensuring no negative surprises and

2.3 Set forth procedures to analyze risks within agreed parameters across the Company.

### **3. Risk Management Framework**

3.1 The Company has designed a dynamic risk management framework to manage its risks effectively and efficiently, so as to meet its business objectives.

3.2 The Company's approach to risk management is summarised below:

3.2.1 Risk Assessment: Process of identification, analysis and prioritisation of risks. An effective risk assessment requires a common risk language and a continuous process for identifying and measuring risks. These elements need to be applied consistently across all key divisions, units and

functions within the organization to understand the nature of the prioritised risks and their impact on business objectives, strategies and performance. Rating of the risks is done on the basis of Probability & Impact on EBITDA/ cash flows, wherever quantifiable.

3.2.2 Risk Mitigation: Risk mitigation involves selecting one or more options for responding to the risks and implementing those options. It includes selecting risk mitigation strategy and measuring the effectiveness of mitigation plan developed.

3.2.3 Risk Monitoring & Reporting: Reporting is an integral part of any process and critical from a monitoring perspective. Results of risk assessment need to be reported to all relevant stake holders for review, inputs and monitoring.

#### **4. Risk Profile**

The identification and effective management of risks is critical in achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

- External Risks: are risks beyond the control of the organisation. These are risks faced due to external conditions in which the business operates (e.g. Natural disasters, Terrorism etc.)
- Strategic Risks: are associated with the primary long-term purpose, objectives and direction of the business. These risks may arise from the actions of other participants in the marketplace and/or the opportunities selected and decisions made by the business.
- Compliance Risks: are associated with non-conformance or inability to comply with the applicable rules and regulations
- Operational Risks: are associated with the on-going, day-to-day operation of the business. These include the risks concerned with the business processes employed to meet the objectives
- Financial Risks: are related specifically to the processes, techniques and instruments utilised to manage the finances of the organisation, as well as those processes involved in sustaining effective financial relationships with customers and third parties
- Knowledge Risks: are associated with the management and protection of knowledge and information including Cyber Security

#### **5. Risk Oversight**

The Company has laid down well defined procedures for its various activities. All the operations and transactions in the Company are carried out in accordance with applicable rules & regulations, Company's Policies and Standard Operating procedures so as to assess the risk, if any, associated with such operations / transactions and minimize the same.

## 5.1 Governance Structure

The Company's Risk Management Framework is supported by the Divisional Heads/ Senior Management of each Business under the supervision and guidance of Risk Management Committee of the Board.

## 5.2 Responsibilities of Senior Management

5.2.1 Monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

5.2.2 Periodical review and monitoring of implementation of the mitigation plan.

5.2.3 To appraise Risk Management Committee of the Board on the key risks identified.

## 5.3 Risk Management Committee

5.3.1 The Risk Management Committee is a committee of the Board, with delegated responsibilities in relation to risk management processes within the Company.

5.3.2 The Committee is also responsible for monitoring overall compliance with laws and regulations.

5.3.3 The Committee reviews the risk management related activities atleast annually.

5.3.4 The Committee to appoint a Chief Risk Officer to monitor and implement all Risk Management related activities.

## 5.4 Assurance

5.4.1 There are different levels of assurance in relation to the effectiveness and efficiency of the Risk Management Framework and associated processes and controls.

5.4.2 At first instance, assurance is provided from management through management reports and process. The reports and process will be founded on a sound system of risk management and internal control and the assurance that the system was operating effectively in all material respects to strategic, shareholder, operational and financial risks.

5.4.3 Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit Committee, as well as from the independent testing, review and reporting undertaken by Independent external auditors who provide an audit opinion as required by law.

5.4.4 Internal Auditors of the Company will carry out a review of each unit periodically of the risks identified, its effect on the Company and the steps taken to mitigate those risks.

### **5.5 Meeting Frequency**

The Risk Management Committee of the Board shall meet at least once in every year.

### **6. Review Of Policy**

The Risk Management Committee of the Board to review this Policy periodically to ensure it remains consistent with the Board's objectives and responsibilities.