GHCL Limited
Risk Management Policy

[Regulation 21 of SEBI Listing Regulations, 2015]

GHCL LIMITED
NOIDA

GHCL Limited

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GHCL Limited Risk Management Policy

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1. Introduction:

Risk Management is an integral part of the Company's plans and operations. While GHCL has a proven ability to take on challenges successfully, the efforts are to become even more proactive in recognizing and managing risks through an organized framework. The Company acknowledges risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives.

At GHCL Limited, our commitment to responsible business practices extends to effectively managing risks associated with GHCL's business. This Risk Management Policy is our guiding framework for identifying, assessing, mitigating, and monitoring risks in compliance with regulatory requirements and ISO 31000 standards.

This Policy is formulated as per the requirement of Regulation 21 of the Listing Regulations, 2015, as amended from time to time, which inter-alia include the following:

a. A framework for identifying internal and external risks the listed entity faces, including financial, operational, sectoral, sustainability (particularly, ESG-related), information, cyber security risks or any other risk as may be determined by the Risk and Sustainability Committee.
b. Measures for risk mitigation including systems and processes for internal control of identified risks.
c. Business continuity plan.

2. Policy Objective:

The primary objective of this Policy is to establish a comprehensive risk management framework for GHCL's business, ensuring that:

a. Risks are systematically identified and assessed.
b. Robust risk mitigation strategies are developed and implemented.
c. Risks are continuously monitored and reviewed to adapt to changing circumstances.
d. A risk-aware culture is promoted across the organization.
e. Legal and regulatory requirements, including SEBI Listing Regulations, are adhered to.

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3. **Philosophy:**

At GHCL Limited, we recognize that risk is an inherent part of business operations. Our philosophy towards risk management is deeply rooted in the belief that proactive and effective risk management is essential for achieving our strategic objectives, preserving value, and sustaining long-term growth. We view risk management as a critical enabler of success rather than an impediment, and we are committed to integrating it seamlessly into our corporate culture and decision-making processes.

Our philosophy and approach to risk management underscore our commitment to responsible corporate governance, protecting stakeholder interests, and ensuring the long-term sustainability and success of GHCL Limited. We recognize that risk is not to be avoided but managed proactively to seize opportunities and navigate challenges effectively.

4. **Definitions:** In alignment with ISO 31000, the following key terms are defined for clarity:

    i. **Risk**: Risk is the effect of uncertainty on objectives, encompassing potential opportunities and adverse effects.

    ii. **Risk Management:** Risk management is the process of coordinated activities to manage risks and realize opportunities.

    iii. **Risk Management Framework:** Our risk management framework encompasses integrating, designing, implementing, evaluating and improving risk management across the organization.

    iv. **Risk Management Process:** The Risk Management Process involves the systematic application of policies, procedures, and practices to the tasks of identifying, assessing, evaluating, and prioritizing risks and taking appropriate and coordinated risk responses.

    v. **Stakeholder:** The stakeholder is a person or legal entity that can affect, be affected by, or perceive themselves to be affected by a decision or activity of the Company.

    vi. **Risk Source:** A risk source is an element which, alone or in combination, has the potential to give rise to Risk.

    vii. **Event:** An event is an occurrence or change of a particular set of circumstances.

    viii. **Consequence:** The consequence is an outcome of an event affecting the objectives of the Company.

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ix. **Likelihood:** The likelihood is the change of something happening, whether defined, measured, or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically, i.e. as a probability or a frequency over a given time period.

x. **Control:** Control refers to the measure that maintains and/or modifies Risk. The control includes, but is not limited to, any process, Policy, device, practice, or other conditions and/or actions which maintain and/or modify Risk.

xi. **Risk Appetite:** Risk Appetite is the level of risk that an organization is willing to accept or tolerate in pursuit of its objectives before action is deemed necessary to reduce the risk. It represents a conscious and strategic decision regarding the amount of risk the organization is willing to take on to achieve its goals. Risk appetite is often expressed in terms of quantitative measures, qualitative statements, or a combination of both. It helps guide decision-making, risk management, and resource allocation within the organization.

xii. **Key aspects of risk appetite:** Key aspects of Risk appetite include the following:

a. **Risk Tolerance:** This is the acceptable range or level of risk that the organization is willing to withstand. It sets the boundaries for risk-taking and indicates the point at which action should be taken to mitigate or manage risks.

b. **Risk Capacity:** This is the maximum amount of risk exposure that the organization can afford to take on, considering its financial resources, capabilities, and other constraints. It helps ensure that the organization does not take on more risk than it can handle.

c. **Risk Culture:** Risk appetite is influenced by the organization's culture, values, and risk-awareness. A strong risk culture encourages responsible risk-taking and transparency in risk management.

d. **Strategic Objectives:** Risk appetite should be aligned with the organization's strategic objectives. It considers the trade-off between risk and reward, ensuring that risk-taking supports the achievement of strategic goals.

e. **Stakeholder Expectations:** The risk appetite may also be influenced by the expectations of stakeholders, including shareholders, customers, regulators, and the public. It's important to consider these expectations in setting risk appetite.

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f. **Compliance and Regulations:** We ensure that their risk appetite aligns with legal and regulatory requirements. Compliance with laws and regulations is a key consideration in defining risk appetite.

g. **Integration with Risk Management Framework:** Our risk appetite is integrated into its risk management framework, helping guide risk assessment, risk mitigation, and monitoring processes.

5. Principles of Risk Management:

Our risk management framework adheres to the following principles:

a. **Integration:** Risk management is integrated into all organizational activities and decision-making processes.

b. **Structured and Comprehensive:** Our framework is structured, covering all aspects relevant to the business of the Company.

c. **Customized:** Risk management strategies are customized to address specific risks and challenges faced by the Company.

d. **Inclusive:** Employees and stakeholders are encouraged to participate in risk identification, assessment, and mitigation.

e. **Dynamic:** Risk management is an ongoing, dynamic process that adapts to changing circumstances and emerging risks.

f. **Best Available Information:** Decisions are based on the best available information, incorporating historical data, industry trends, and emerging threats.

g. **Human and Cultural Factors:** Our risk management culture promotes open communication, accountability, and shared responsibility for risk mitigation.

h. **Continual Improvement:** We continuously seek opportunities to enhance our risk management processes and outcomes.

6. Risk Management Process:

The risk management process involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording, and reporting risks. Our risk management process encompasses:

a. **Risk Culture:** Promoting a risk-aware culture throughout the organization.

b. **Risk Communication:** Transparent communication of risk-related information to stakeholders.

c. **Risk Ownership:** Assigning ownership of risks to responsible individuals or departments.

d. **Risk Treatment:** Implementing risk mitigation strategies and monitoring their effectiveness.

e. **Risk Documentation:** Maintaining records of risk assessments, treatments, and outcomes.

7. **Approach:** Our approach to risk management is guided by the following core principles:

7.1. Risk Integration:

a. **Embedding Risk Management:** Risk management is an integral part of our corporate DNA, deeply ingrained in our organizational culture. It is not a standalone function but rather woven into the fabric of every department and process.

b. **Strategic Alignment:** We align our risk management efforts with our strategic objectives, ensuring that risk considerations are factored into our business plans, investments, and growth initiatives.

7.2. Comprehensive Risk Identification:

a. **Systematic Identification:** We employ a systematic approach to identify risks across all facets of our operations. We encourage all our functional heads and business head to actively participate in identifying risks, fostering a culture of risk awareness.

b. **Holistic View:** Our risk identification process considers a wide range of risks, including operational, financial, environmental, strategic, compliance, and reputational risks.

7.3. Risk Assessment and Prioritization:

a. **Quantitative and Qualitative Assessment:** We use a combination of quantitative and qualitative methods to assess the likelihood and potential impact of identified risks. This enables us to prioritize risks based on their significance.

b. **Scenario Analysis:** In addition to traditional risk assessments, we conduct scenario analyses to evaluate the potential outcomes of various risk scenarios.

7.4. Risk Mitigation and Control:

a. **Effective Strategies:**Once risks are identified and assessed, we develop and implement robust risk mitigation strategies. These strategies aim to reduce the likelihood and impact of risks and may include process enhancements, risk transfer, or diversification of resources.

b. **Monitoring and Review:** We continually monitor the effectiveness of our risk mitigation measures and adapt them as needed to respond to changing circumstances.

7.5. Risk Ownership and Accountability:

a. **Clear Responsibility:** Every risk is assigned ownership, ensuring that there is a clearly defined individual or department responsible for managing and monitoring it.

b. **Accountability:** Our employees are held accountable for managing the risks within their purview, fostering a sense of responsibility for risk management at all levels.

c. All business & functional heads must ensure that the risk management activities are being undertaken in their areas of responsibility.

7.6. Communication and Reporting:

a. **Transparent Communication:** We maintain open and transparent communication channels for sharing risk-related information with all stakeholders, including employees, shareholders, regulators, and partners.

b. **Timely Reporting:** We provide regular and timely risk reports to our Board of Directors and senior management, enabling informed decision-making.

7.7. Continuous Improvement:

a. **Learning Organization:** We view risk management as a dynamic process that requires continual improvement. We learn from past experiences and adapt our approach to enhance risk management practices continually.

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b. **Benchmarking:** We benchmark our risk management practices against industry standards and best practices, striving for excellence in our risk management endeavors.

7.8. Compliance and Regulatory Adherence:

a. **Legal and Regulatory Compliance:** We adhere to all relevant laws and regulations governing risk management, including SEBI Listing Regulations and ISO 31000 guidelines.

b. **Ethical Conduct:** We conduct all risk management activities with the utmost integrity, ethical standards, and transparency.

8. Risk Management Framework for Leadership Teams and Project Leaders:

Effective risk management is integral to our organization's success and resilience. To ensure proactive risk identification, management, and alignment with our risk appetite, the following framework applies to all leadership teams and project leaders:

8.1. Annual Holistic Risk Discussion (Leadership Teams):

Leadership teams are responsible for conducting an annual holistic risk discussion to enhance risk awareness and management. The components of the framework includes following:

a. **Identification of Key Business Risks:** Leadership teams must identify and assess key business risks for which they are responsible. This includes risks related to their specific roles and areas of operation.

b. **Review of Risk Management:** Teams must review how identified risks are currently being managed within their respective areas. This includes assessing the effectiveness of existing risk mitigation strategies.

c. **Gap Analysis:** Teams should identify any gaps between the current risk management practices and their desired risk appetite. This involves evaluating whether the current level of risk mitigation aligns with the organization's risk tolerance.

d. **Action on Significant Gaps:** If significant gaps are identified during the annual holistic risk discussion, leadership teams are responsible for taking immediate actions to mitigate these risks. This may involve

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revising existing risk management strategies or implementing new ones.

e. **Managing Director's Involvement:** The Managing Director plays a critical role in
   i. Customizing and implementing all components of the framework.
   ii. Ensuring necessary resources are allocated to managing risks
   iii. Assigning authority, responsibility and accountability at appropriate levels
   iv. Issuing a statement or a policy that establishes a risk management approach, plan or course of action.

8.2. Project-Specific Risk Identification and Mitigation (Project Leaders):

Project leaders and their teams must proactively identify and manage risks associated with their respective projects to ensure successful outcomes. The component of the framework includes the following:

a. **Key Risk Identification:** Project leaders, in collaboration with their teams, should identify and document key risks that could affect the successful achievement of project objectives. This includes risks related to project scope, timeline, budget, and quality.

b. **Risk Mitigation Plans:** For each identified risk, project leaders must develop comprehensive risk mitigation plans. These plans should outline strategies for reducing the likelihood and impact of risks.

c. **Progress Reviews:** Project leaders are required to regularly review the progress of risk mitigation plans and take corrective actions as needed. Progress should be reported to the Managing Director and relevant stakeholders.

d. **Managing Director's Involvement:** The Managing Director plays a critical role in overseeing project-specific risk management. Project leaders are expected to engage with the Managing Director to discuss and seek guidance on risk mitigation strategies.

9. Continuous Improvement:

Our organization is committed to continuous improvement in risk management practices. The components of continuous improvement framework involves the following

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a. **Learning and Development:** Leadership teams and project leaders are encouraged to participate in training and development programs related to risk management. This ensures that they stay updated on best practices and emerging risks.

b. **Feedback Mechanism:** An open feedback mechanism is in place to allow employees at all levels to report potential risks or concerns. This contributes to a proactive risk management environment.

c. **Adherence to Framework:** All leadership teams and project leaders must adhere to this risk management framework and integrate it into their regular operations.

10. Risk Oversight:

Risk Oversight refers to the process of monitoring and managing risks within an organization to ensure that they are identified, assessed, mitigated, and reported effectively. It involves the activities, structures, and processes that enable a company's leadership, including the board of directors, executive management, and other relevant stakeholders, to understand, evaluate, and address risks that could impact the achievement of the organization's objectives.

1. **Board of Directors:**

   The board of directors plays a central role in risk oversight. They are responsible for setting the organization's risk appetite, ensuring that a robust risk management framework is in place, and monitoring the execution of risk management strategies. The board reviews and approves major risk-related decisions and policies. The Board on recommendation of the Risk & Sustainability Committee adopt the Risk Management Policy and critically review the risk governance and monitoring mechanism. The Board shall meet at least once in a year to review the top risks encountered by the company and status of their mitigation plan.

2. **Functional Management:** The Functional management team, including the Managing Director and senior executives, is responsible for implementing the risk management framework and strategies approved by the board. They oversee the day-to-day management of risks within their respective areas of responsibility.

3. **Risk & Sustainability Committees:** The Board of Directors has constituted "Risk & Sustainability Committee" in compliance with Regulation 21 of the SEBI Listing Regulations, responsible for overseeing risk management efforts, meeting at least twice annually. This Policy and the Terms of Reference of the Risk & Sustainability Committee are integral part to the functioning of the Risk & Sustainability Committee and are to be read together.

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The Board of Directors is empowered to reconstitute the Committee from time to time as it deem appropriate considering the consistency of the regulatory requirement and / or business requirement.

4. **Audit & Compliance Committee:** The Audit & Compliance Committee shall meet at least once in a year to oversee the risk management and internal control arrangements and shall also evaluate internal financial controls and risk management systems of the company.

11. Business Continuity Plan (BCP):

A Business Continuity Plan (BCP) is a comprehensive strategy and set of procedures that an organization develops and maintains to ensure its critical business functions can continue to operate during and after disruptive events or disasters. The primary goal of a BCP is to minimize downtime, protect assets, and maintain or quickly resume essential business operations in the face of various threats or interruptions, such as natural disasters, cyberattacks, power outages, or other emergencies.

Key components and steps involved in creating a business continuity plan:

1. **Risk Assessment:**
   - Identify potential risks and threats that could disrupt business operations, including natural disasters, technology failures, human errors, and external threats.
   - Assess the impact of each risk on critical business functions and prioritize them based on severity.
2. **Business Impact Analysis (BIA):**
   - Determine the critical functions and processes that must continue operating to maintain business viability.
   - Establish Recovery Time Objectives (RTOs) and Recovery Point Objectives (RPOs) for each critical function. RTO is the acceptable downtime, while RPO is the maximum allowable data loss.
3. **Developing a BCP:**
   - Create a BCP team responsible for developing, implementing, and maintaining the plan.
   - Define clear roles and responsibilities for team members.

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- Develop detailed plans and procedures for each critical business function, including contact lists, resource requirements, and recovery strategies.

- Consider alternate work locations, data backups, and technology recovery options.

4. **Communication Plan:**

   - Develop a communication plan that outlines how employees, customers, suppliers, and stakeholders will be informed during and after a disruptive event.
   - Establish multiple communication channels, including backup methods, to ensure information flow.

5. **Training and Awareness**

   - Train employees on their roles and responsibilities during a business disruption.
   - Conduct regular drills and exercises to test the effectiveness of the BCP.
   - Raise awareness among employees about the importance of business continuity.

6. **Data Backup and Recovery:**

   - Implement regular data backups and storage solutions to ensure data availability and integrity.
   - Define procedures for restoring data and systems quickly.

7. **Supply Chain and Vendor Continuity:**

   - Assess and monitor the continuity plans of critical suppliers and partners.
   - Develop contingency plans for supply chain disruptions.

8. **Crisis Management and Incident Response:**

   - Establish a crisis management team and incident response procedures.
   - Define escalation procedures and decision-making authority during a crisis.

9. **Testing and Maintenance:**

   - Regularly test the BCP through simulations and exercises to identify weaknesses and improve preparedness.
   - Update the plan as necessary to adapt to changing risks and business needs.

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10. **Documentation and Reporting:**

- Maintain thorough documentation of the BCP, including plans, procedures, test results, and incident reports.

- Report on BCP status and performance to senior management and stakeholders.

11. **Continuous Improvement:**

- Review and update the BCP based on lessons learned from exercises and actual incidents.
- Continuously assess and mitigate emerging risks.

12. Policy Review:

This Policy is framed based on the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (also known as Listing Regulations) and also took guidance from the ISO 31000:2018. In case of any subsequent changes in the provisions of the SEBI Listing Regulations, or any other applicable laws which makes the provisions in the Policy inconsistent with the Listing Regulations or any other applicable law, the provisions of the Listing Regulations and such other applicable law shall prevail over the Policy and the provisions in this Policy shall be modified in due course to make it consistent with the law.

The Policy shall be reviewed once in every two years by the Risk & Sustainability Committee and the same shall be placed before the Board of Directors for their approval and also uploaded on website of the Company.

13. CHANGE LOG

1.	Type of Document	Policy
2.	Recommended by Audit & Compliance Committee	January 28, 2016
3.	Approved by Board of Directors	January 28, 2016
4.	Recommended by Audit & Compliance Committee	August 7, 2023
5.	Approved by Board of Directors	November 7, 2023
6.	Reviewed by Managing Director	April 1, 2024
7.	Document Control	Corporate Secretarial

For GHCL Limited

R S Jalan
Managing Director

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