

## **Garden Silk Mills Limited**

### **Risk Management Policy**

#### **Introduction**

Garden Silk Mills Limited (the Company) recognizes risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives.

It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

Section 134(3)(n) of the Companies Act, 2013 states that the Board's Report shall 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.

The above-mentioned provision makes it mandatory for the Board of Directors to comment on the risk management policy of the company in their report. To provide such details in the Board's Report, the directors shall ensure to have a risk management policy in place, which shall contain the details of risk involved in the business of the company.

#### **Definitions**

Risk is defined as the chance of a future event or situation happening that will have an impact upon company's objective favourably or unfavourably. It is measured in terms of consequence and likelihood. Risk Management encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

#### **Objectives of Risk Management**

Risk management is the process of making and carrying out the decisions that will minimize the adverse effects of the accidental losses upon the company. In financial terms, it is important to the ability to peruse the goals of the company, and operate programs and to perform duties in an efficient and professional manner. In the Act it is clear that the onus is on the Board to take ownership and opine that there has been identification of elements of risk and that in the opinion of the Board may not threaten the existence of the company.

The Company has adopted a framework that incorporates a system of risk oversight, risk management and internal control designed to identify, assess, monitor and manage risks.

A well-defined, integrated framework promotes awareness of risks and an understanding of the company's risk tolerances. The Risk Management Framework enables a systematic approach to risk identification, leverage of any opportunities and provides treatment strategies to manage, transfer and avoid risks.

## **Scope and Inclusion**

This policy applies to all employees, whether full time, part time or casual at any level of seniority within the business. The policy also applies to contractors and consultants working on behalf of the Company.

The Company has identified three broad issues that can threaten the very existence:

- a. Corporate Strategy Risks that can be risks and threats from outside the Company
- b. Management level risks can be risks from firms' activities that is with the objects of the Company
- c. Operational risks can be risks that may exists within the company

Risk Management Policy and Risk Management Framework is developed to include the following key areas:

- a. To identify, reduce and prevent undesirable incidents or outcomes and
- b. To review past incidents and implement changes to prevent or reduce future incidents

## **Roles and Responsibilities**

The Board is ultimately responsible for identifying and assessing the nature and extent of internal and external risks that may impact the working of the Company in achieving its strategic objectives. The Board is responsible for determining the company's risk appetite, overseeing the development and implementation of the Risk Management Framework and maintaining an adequate monitoring and reporting mechanism.

Management is responsible for ensuring that a risk management system is established, implemented and maintained in accordance with this policy. Management monitor and report on material risks identified through the internal audit process. All employees are responsible for identifying potential risks.

The Internal Audit program must be aligned to the company's risk profile and is responsible for providing independent assurance in relation to the effectiveness of processes to manage particular areas of risk.

## **Reporting**

A report of the review of the risks involved will be provided by the Internal Auditors to the Audit Committee. The Audit Committee then analyses the risks and the concerned areas. The suggestions for the mitigations will be given by the management team which again will be reviewed by the Audit Committee. The review report will be given to the Board of Directors.

The Chief Executive Officer and Chief Financial Officer provide a declaration to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.

The declaration will state that the opinion of the Chief Executive Officer and the Chief Financial Officer has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **Policy Review**

The Board is responsible for reviewing and approving the Risk Management Policy and Risk Management Framework at least annually to ensure their effectiveness and continued application and relevance to the Company business.