RISK MANAGEMENT POLICY

OF

WOOLWAYS (INDIA) LIMITED

(U/s 134 (3) (n) of the Companies Act, 2013 and Clause 49 (VI) of the Amended Listing Agreement)

1. PREFACE:

Oxford Dictionary defines the term "**risk**" *as a chance or possibility of danger, loss, injury or other adverse consequences.*

Risk management in a business environment is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

Section 134 (3)(n) of the Companies Act, 2013 requires every company to attach to its Board Report a statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of element of risks, if any, which in the opinion of the Board may threaten the existence of the Company.

Clause 49 (VI) of the Amended Listing Agreement between listed companies and the Stock Exchanges, inter alia, provides for a mandatory requirement for all listed companies to formulate 'Risk Management Policy'.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimize their adverse impact on the organization.

2. PURPOSE AND SCOPE:

This policy establishes the process for the management of risks faced by Woolways (India) Limited ("WIL"). The aim of risk management is to maximize opportunities in all activities and to minimize adversity. This policy applies to all activities and processes associated with the normal operations of WIL. Effective risk management allows the Company to:

- embed the management of risk as an integral part of its business processes;
- establish an effective system of risk identification, analysis, evaluation and treatment within all areas and all levels;
- Make informed decisions
- avoid exposure to significant reputational or financial loss;
- Assess the benefits and costs of implementation of available options and controls to manage risk.
- Have increased confidence in achieving its goals
- Strengthen corporate governance procedures

Thus, it is the responsibility of all Board members, Senior Management and employees to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

3. RISK STRATEGY:

WIL recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner.

Types of Risks:

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks, inter alia, are Regulations, Competition, Business risk, Technology Obsolescence, Retention of talent etc. Business risk, inter-alia, further includes financial risk, Political risk, Legal risk etc.

For managing risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the Company would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

4. RISK MANAGEMENT FRAMEWORK:

In principle, risk always results as a consequence of activities or as a consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks.

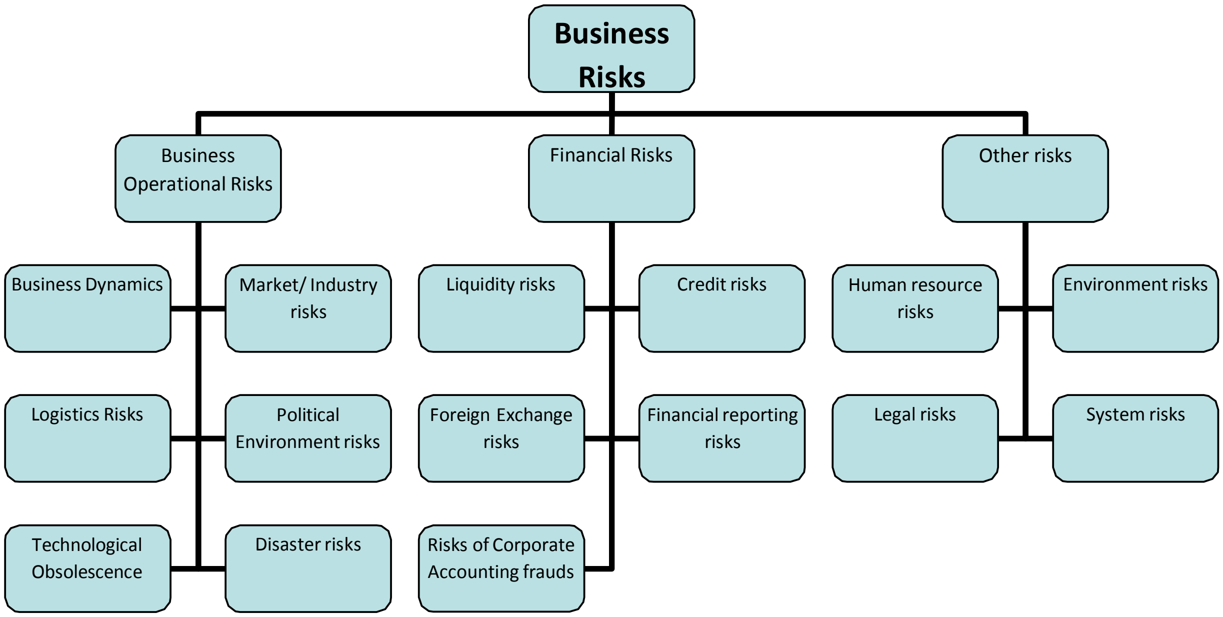
Risk mitigation is also an exercise aiming to reduce the loss or injury arising out of various risk exposures. WIL adopts a systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating risks proactively and help to achieve stated objectives.

The Company will consider activities at all levels of the organization and it's Risk Management with focus on three key elements, viz.,

(1) Risk Assessment- detailed study of threats and vulnerability and resultant exposure to various risks.
(2) Risk Management and Monitoring- the probability of risk assumption is estimated with available data and information.
(3) Risk Mitigation- Measures adopted to mitigate risk by the Company.

5. RISKS SPECIFIC TO THE COMPANY AND THE MITIGATION MEASURES ADOPTED:

We have divided the risks into three broad categories, namely:-



(I) BUSINESS OPERATIONAL RISKS

1) **Business dynamics:** These include:-

- Organization and management risks
- Production, process and productivity risks
- Business interruption risks consisting internal and external factors

Risk mitigation measures:

- The Company functions under a well defined organization structure with focus on role clarity.
- Proper systems are in place in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
- Selection of technology, standardization of processes, clear SOPs, training, upkeep of assets etc.
- Proper training and development, incentives and reward system for employees at all levels.

2) **Market Risks / Industry Risks:** These include:

- Raw material availability and movement of rates
- Demand and Supply Risks
- Quantities, Qualities, Suppliers and lead time
- Competition
- Increase in commercial costs

Risk Mitigation Measures:

- Tracking micro and macroeconomic level data, market trends and forecasts by expert agencies, internal review by team of experts.
- Developing a good understanding and tracking of movement of rates of raw material at macro level, keeping a track on global and domestic economy, climatic conditions, geo-political factors, global demand and supply, trade policies etc.

- ❖ Alternative sources are developed for uninterrupted supply of raw materials.
- ❖ Demand and supply are external factors on which company has no control. However, based on experience gained from the past and by following the market dynamics as they evolve, movement by competition, economic policies and growth patterns of different segments, the Company is able to estimate the demand during a particular period and accordingly supply is planned and adjusted.
- ❖ The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, delivery mechanisms, technical inputs and advice on various aspects of de- bottlenecking procedures, enhancement of capacity utilization in customer- plants etc.
- ❖ Proper inventory control systems have been put in place.
- ❖ The Company has been increasing operational efficiency and continues to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.
- ❖ Effective steps are being taken to reduce cost of production on a continuing basis through focus on cost and realization, budgets, budgetary controls, management control system, close watch on market dynamics etc.
- ❖ On competition side, keeping a close watch on competitor's strengths and weaknesses, competition dynamics etc.

3) **Logistics Risks:** Use of outside transport sources.

Risk Mitigation Measures:

- ❖ Company has a dedicated transport group to handle all requirements relating to movement of its raw material, finished goods etc.

4) **Political Environment risks:**

Any adverse change in the political environment of the country, government policies can have an impact in growth strategies of the company.

Risk Mitigation Measures:

- ❖ Reviewing and monitoring the country's industrial, labour and other related policies.

5) **Technological Obsolescence:** The Company strongly believes that technological obsolescence is a practical reality.

Risk Mitigation Measures:

- ❖ Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.
- ❖ The Company is bringing the required technological changes in garment manufacturing.

6) **Disaster Risks:** Natural risks like Fire, Earthquakes, etc.

Risk Mitigation Measures:

- ❖ The properties of the company are insured against natural risks, like fire, earthquakes, etc. with periodical review of adequacy, rates and risks covered.

- ❖ Fire extinguishers have been placed at fire sensitive locations.
- ❖ First aid training is given to watch and ward staff and safety personnel.
- ❖ Well designed hydrant systems and training of personnel for the same.

(II) FINANCIAL RISKS

1) Liquidity Risks: These include:

- ❖ Financial solvency and liquidity risks
- ❖ Cash management risks

Risk Mitigation Measures:

- ❖ Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization.
- ❖ Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.
- ❖ These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances.
- ❖ Daily and monthly cash flows are prepared and monitored at senior levels to access the fund requirements and ensure utilization of funds in an effective manner.
- ❖ Cash management services are availed from Bank to ensure efficient collection and utilization of funds.

2) Credit Risks: These include risks in settlement of dues by dealers/customers

Risk Mitigation Measures:

- ❖ Systems put in place for assessment of creditworthiness of dealers/customers.
- ❖ Provision for bad and doubtful debts are appropriately made in books of accounts.
- ❖ Appropriate recovery management and follow up.

3) Foreign Exchange Risks:

- ❖ We face foreign currency exposure for our Loan raised in the form of ECB (External Commercial Borrowing) and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

Risk Mitigation Measures:

- ❖ The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by re-instating the liability according to the exchange rate prevailing at the end of each quarter.
- ❖ Foreign currency exposures are recognized from the time an import/export order/contract is signed and as per contractual maturity prior to opening of Letters of Credit and/or Purchase Orders by customers.
- ❖ Without venturing into the speculative aspects of dealing in currency derivatives, we aim to cover foreseeable fluctuations with a hedge cover as per policy.
- ❖ Our risk management policy on foreign exchange has been approved by the Board of Directors and includes separate front and back offices for forex dealings, implementing hedging strategies for foreign currency exposures, specification of transaction limits;

identification of the personnel involved in executing, monitoring and controlling such transactions.

4) **Financial Reporting Risks:**

- Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations creates uncertainty for the Company.
- Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies which could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

Risk Mitigation Measures:

- The Company is committed to maintaining high standards of corporate governance and public disclosure and to comply with evolving laws, regulations and standards.

5) **Risk of Corporate Accounting Fraud:**

Accounting fraud or corporate accounting fraud are business scandals arising out of misusing or misdirecting of funds, overstating expenses, understating revenues etc.

Risk Mitigation Measures:

- Conducting risk assessments,
- Enforcing and monitoring code of conduct for key executives
- Instituting Whistleblower mechanisms
- Deploying a strategy and process for implementing the new controls
- Adhering to internal control practices that prevent collusion and concentration of authority
- Employing mechanisms for multiple authorization of key transactions with cross checks
- Creating a favorable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organization.

(III) OTHER RISKS

1) **Human Resource Risks:**

- Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
- Unrest Risks due to Strikes and Lockouts.

Risk Mitigation Measures:

- Ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence.
- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal systems with the participation of the employee and consistent with job content, peer comparison and individual performance for revision of

compensation on a periodical basis has been evolved and followed regularly.

- Inculcate in employees a sense of belonging and commitment and also effectively train them in spheres other than their own specialization.
- Activities relating to the Welfare of employees are undertaken.
- Employees are encouraged to give suggestions and discuss any problems with their Superiors.
- Efforts are made to keep cordial relations with employees at all level.

2) **Environmental Risk Management:**

The Company endeavors to protect the environment in all its activities, as a social responsibility. The legal exposure in this regard is when polluting materials are discharged into the environment by causing danger to fragile environmental surrounding is an offence.

Risk Mitigation Measures:

- Installation of Effluent Treatment Plants at its manufacturing unit.
- Extensive plantation of trees around manufacturing plants is undertaken for green belt development.
- Setting up of electrostatic precipitators, filters etc as required from site to site.
- Focus on efficient operations of environment protection system and equipments.

3) **Legal Risks:** Legal risk is the risk in which the Company is exposed to legal action. The Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure.

Risk Mitigation Measures:

- Experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments.
- Management places reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. Advisories and suggestions from professional agencies and industry bodies, chambers of commerce etc. are carefully studied and acted upon where relevant.
- The Company has established a compliance management system in the organisation and Secretary of the Company being the focal point, get the quarterly compliance report from unit head and being placed before the Board at every quarterly Board meeting of the Company.

4) **System Risks:**

- System capability
- System reliability
- Data integrity risks

Risk Mitigation Measures:

- EDP department maintains and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- The Company ensures "Data Security", by having access control/ restrictions.
- Data backups are taken regularly and in a methodical way.

- Installation of antivirus softwares to create firewalls.

6. AMENDMENTS:

This policy may be amended subject to the approval of Board of Directors, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

7. DISCLAIMER CLAUSE:

The Management cautions that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.