RISK MANAGEMENT POLICY

EXPLICIT FINANCE LIMITED

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INTRODUCTION

Explicit Finance Limited is committed to managing its risk in a proactive ongoing and positive manner and has also adopted structured and discipline approach to risk management by developing and implementing risk management programmed.

Well defined Organizational Structure and business strategies have become an integral part for aligning Risk Management. Goenka Diamond and jewels Limited has taken number of initiatives for strengthening the risk management practices by formation of various Committee of the Board which consists of members looking after its broad terms of reference and its functions. The functions of which are defined later.

It has formed Committee namely:

1) Audit Committee
2) Nomination and Remuneration Committee
3) Stakeholders Relationship Committee

This Risk Management Policy framework has been formulated to ensure that there is a formal process for risk identification, risk assessment and risk mitigation to effectively manage risks associated with the business of the Organization.

This Policy has been prepared to safeguard the Company's assets – employees, finance, property, information and reputation; create an environment where all executives assume responsibility for risk management and critically identify potential risks, measure their potential impact on the Company and formulate risk management strategies to mitigate potential loss from the risks.

PURPOSE

This Policy set out the organizations Risk Management Policy and includes:
(a) Objectives of the Risk Management Policy
(b) Risk Management Principles Relative Responsibilities
(c) Risk Tolerance Limit
(d) Risk Framework
(e) Risk Communication

OBJECTIVES

The objective of this organization's Risk Management Policy is to help the management at all levels make informed decisions which:

Provide a sound basis for integrated risk management and internal control as components of good corporate governance.
The managers and staff at all levels will be responsible to identify, evaluate and manage, mitigate and report risks, and will be equipped to do so.

APPLICATION

The policy framework shall apply to all divisions, and departments of the organization. All the Divisions / Departments ("Divisions") namely:

- Corporate Finance and Investment Department
- Human Resource Department
- Information Technology Department
- Audit Department
- Operations Department
- Secretarial Department
- Marketing Department and
- Export Department

The Policy shall apply appropriate Risk Management practices and techniques within the context of their own activities.

GENERAL PRINCIPALS

All risk management activities will be aligned to corporate aims, objectives and organizational priorities, and will aim to protect and enhance the reputation and standing of the organization and to promote profitable growth.

Managers and staff at all levels will have a responsibility to identify, evaluate and manage or report risks.

RISK MANAGEMENT PROCESS

1. **Risk Identifying**

The first step in the Risk Management Policy is to identify risk. Identifying risk involves first examining the sources of all kinds of risk, particularly from the perspective of internal and external stakeholders. The risk analysis will form partof the organizational strategic planning, business planning and investment /loan appraisal procedure.

The risks categorized under the following heads have to be identified by the respective Divisions:

- Corporate Risks
- Market Risks

Operational Risks
Business Risks
Financial Risks
Liquidity Risks
Legal and Regulatory / Statutory Risks.

2. **Evaluating Controls**

The next step in the Company's risk management process involves evaluating the controls set up to identify and mitigate risks.
Controls can be grouped under the following headings:

Preventative controls: qualified staff; positions and descriptions; training; performance measures; strategic and operational plans; policies and procedures; codes of conduct; security, manuals and guidelines issued from time to time.

Detective controls: checks; financial reconciliation; audits; monitoring; fire alarms.

Reactive controls: contingency plans; backups; recovery plans; insurance.

3. **Monitoring**

Departmental heads will report to the Board of Directors about the potential risk to the Company in their domain on a continuous basis, along with measures to be taken to manage them in an optimum manner.

4. **Responsibilities:**

(a) The Board of Directors will be responsible for monitoring and reviewing the Risk Management programmed.

(b) A**udit Committee :** This committee will be responsible for advising to the Board of Directors and Chief Executives on risk management and the internal control and also to inform how effectively the risk is managed and reliability of the internal control system. The Committee acts as a link between the management, the statutory Auditors and the Board of Directors and oversees the financial reporting process.

(c**) Nomination and Remuneration Committee:** The terms of reference of the Nomination and Remuneration Committee are to recommend to the Board about the, salary (including annual increments), perquisites and allowances, performance linked Nomination and Remuneration, if any, commission to be paid to the Company’s Executive Directors (EDs)/Managing Directiors and Whole Time Directors (WTDs).

(d) **Stakeholders Relationship Committee:** The Stakeholders Relationship Committee is empowered to perform all the functions if the Board in relation to handling of shareholders grievances. It primarily focuses on:
• Review of investor complaints and their redressal.
• Review of the quires received from the investors.
• Review of the work done by shares Transfer Agent.

• Review of corporate actions related work.

(e) **Corporate Social Responsibility Committee** : The Corporate Social Responsibility are to recommend to the Board all the functions of CSR Policy. It primarily focuses on :

• The activities to be undertaken by the Company as specified in CSR Policy
• The amount of expenditure to be incurred on the activities
• Monitor the CSR Policy from time to time

(f) All the operational/business Managers, Head of the Departments and Chief Executive Officer shall be responsible for ensuring the compliance with the prescribed procedures set out in the organizational policies.

(g) All the personnel shall responsible for maintaining good internal control and managing risk in order to achieve personal, team and corporate objectives. Collectively staff in business unit needs the appropriate knowledge, skills, information and authority to establish, operate and monitor the system of internal control. This requires an understanding of the organization, its objectives, the risks it faces and the people they deal with. Everyone shall be aware of the risk they are empowered to take, the risk which shall be avoided and risk which shall be reported upwards.

(h) The Company reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the Employees unless the same is notified to the Employees in writing.