



## MIDWEST GOLD LIMITED

### RISK MANAGEMENT POLICY

#### **Introduction:**

Midwest Gold Limited (Formerly Nova Granites (India) Limited) is a mining company engaged in business to dig and quarry for gold, granites, marbles and other natural stones and deal in such stones and their by-products.

The business activities of the Company are such that they carry various internal and external risks which are inherent in all administrative functions.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Formal and systematic approaches to manage risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- A strategic focus.
- Forward thinking and active approach.
- Balance between the cost of managing risk and the anticipated benefits.
- Contingency planning in the event that critical threats are realised.

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,
- Return on Investments,
- Increase in price and costs,
- Limited resources,
- Retention of talent, etc.

#### **Legal framework:**

Section 134(3) of the Companies Act, 2013 (the Act) requires the Board of Directors of a company, as part of the Board's Report, to give ***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.***

Further, the provisions of Section 177(4)(vii) of the Act require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of the Act, which requires the Company to lay down procedures about risk assessment and risk minimization.

Additionally, SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, across its different sections, invariably lays greater emphasis on Risk Management being one of the key functions of Board where responsibility is cast upon the Board to:-

- review and guide Risk Policy.
- ensure that appropriate systems of control are in place, in particular, systems for risk management.
- ensure that, while rightly encouraging positive thinking, it does not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk have ability to 'step back' to assist executive management by challenging the assumptions underlying risk appetite.

#### **Purpose and Scope of the Policy:**

Midwest Gold Limited (Formerly Nova Granites (India) Limited) understand that controlling risks through a formal program is necessary for the well-being of our organization.

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Directors, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program

The key risks are broadly categorized into the following:

- Strategic Risks:
  - (i) Market Strategy
  - (ii) Political Environment
  - (iii) Organizational Growth- Market Penetration, Market Share, Loss of reputation
  - (iv) Global and Technological Obsolescence
  - (v) Volatility in commodity market
  - (vi) Loss of intellectual property and trade secret
  - (vii) Uncertainty surrounding political leadership in Domestic and International markets
  - (viii) Economic condition of the market, Global recession and Environmental Issues
  - (ix) Competition

- Operational Risks:
  - (i) Ensure stricter adherence to laws / rules / regulations/ standards
  - (ii) Adherence of Company Policies and Procedures
- Financial and Reporting Risks
  - (i) Volatility in Currency, Funding & Credit Risk
  - (ii) Maintaining high standards of Corporate Governance and Public disclosures.

To this end, the Board of Directors of the Company will form a Board Committee in due course to identify the risks impacting the Company's business and formulate and administer policies/ strategies aimed at risk minimization and risk mitigation as part of risk management.

Further, an Internal Audit team has also been formed to identify and assess key risks and formulate strategies for mitigation of risks identified in consultation with the process owners.

In adherence to the present regulatory framework described hereinabove, the Board of Directors of the Company or Committee which the Board may constitute to exercise the powers conferred herein for the purpose to: -

- Ensure an organization's relevant and perpetual Risk Management framework for identifying, assessing, responding to, monitoring or controlling and reporting risks.
- Apply an organized, thorough approach to effectively anticipate and mitigate the probable or realistic risks that could endanger achievement of key objectives.
- Ensure systemic risk evaluation, categorization, and prioritization thereof to assign relative importance to identified risks to determine where appropriate management attention is required.
- Practice the highest level of control measures by installing mechanisms and tools, with involvement of all process-owners across the organization, to ensure that all applicable legal, regulatory, and business requirements are up-to-date and met.
- Develop alternative/ recommended courses of action for critical risks and control the probability of occurrence of the risk, keeping ready contingency plans for selected risks where the consequences of the risks are determined to be high.
- Review the activities, status, and results of the risk management process on a periodic and event-driven basis with appropriate levels of management and resolve issues i.e. gauging potential risk exposure and addressing the same with appropriate corrective action.
- Obtaining, wherever required or desirable, the advice, opinion and assistance from outside legal, accounting, or other advisors, as necessary, to aid informed decision making.

#### **Risk Management System:**

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.

- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses. The Senior Management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

**Review of Policy:**

It shall be responsibility of the Board to review the policy periodically and ensure that this policy shall remain in consistency with the Board's objectives and responsibilities.

**Amendment:**

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

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