POLICY ON INTERNAL FINANCIAL CONTROL

1. INTRODUCTION

VIRGO LAMINATES LIMITED (“the Company”) in compliance with Section 134(3) (p) the Companies Act, 2013 and the Rules made there under has formulated a policy on Internal Financial Control for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.
Internal Financial Control includes the following:

- Policies and Procedures for ensuring the orderly and efficient conduct of its business including adherence to Company's policies;
- Safeguarding of its assets;
- Prevention and detection of frauds and errors;
- Accuracy and completeness of the accounting records and;
- Timely preparation of reliable financial information

2. INTENT

Internal Financial Control is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).
Internal Financial Control is all of the policies and procedures management uses to achieve the following objectives:

- **Safeguard Assets -** well-designed internal controls protect assets from accidental loss or loss from fraud;
- **Ensure the Reliability and Integrity of Financial Information** - Internal controls ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations;
- **Ensure Compliance** - Internal controls help to ensure that the Company is in compliance with all the laws and regulations affecting the operations of our business;
- **Promote Efficient and Effective Operations** - Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations;
- **Accomplishment of Goals and Objectives** - Internal controls system provide a mechanism for management to monitor the achievement of operational goals and objectives.

- **Identify and Manage the Risks**- To look at all the risks facing an organization and manage those risks proactively. These risks may be in the form of reputational risk, operational risk, strategic risk, market risk and so on.

3. DEFINITIONS

- 3.1 "Act" means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- 3.2 "Audit Committee" means a Committee of the Board of Directors of the Company, constituted as per the provisions of Section 177 of the Companies Act, 2013.
- 3.3 "Board of Directors" or "Board" in relation to a Company means the collective body of the Directors of the Company.
- 3.4 "Company" means VIRGO LAMINATES LIMITED.
- 3.5 "Policy" means the current policy on Internal Financial Control, including amendments, if any, from time to time.

4. FRAMEWORK FOR INTERNAL CONTROL

The framework of a good Internal Control System includes:

- **Control Environment:**

A sound control environment is created by management through communication, attitude and example. This includes a focus on integrity, a commitment to investigating discrepancies, diligence in designing systems and assigning responsibilities.

- **Risk Assessment**:

This involves identifying the areas in which the greatest threat or risk of inaccuracies or loss exist. To be most efficient, the greatest risks should receive the greatest amount of effort and level of control.

- **Monitoring and Reviewing:**

The system of internal control should be periodically reviewed by management. By performing a periodic assessment, management assures that internal control activities have not become obsolete or lost due to turnover or other factors. They should also be enhanced to remain sufficient for the current state of risks.

- **Information and Communication:**

The availability of information and a clear and evident plan for communicating responsibilities and expectations is paramount to a good internal control system.

- **Control Activities:**

These are the activities that occur within an internal control system.

5. OBJECTIVES

Internal Financial Control is a System and Process which encompasses the Policies, System and procedures that protect the Company assets, ensure reliable financial reporting, correct disclosures and comply with all required rules and regulations applicable in the entire eco system in which Company is operating. Such system and Procedures are not only related to financial or non-financial accounting and reporting but also include company culture and best practices followed towards Social, Environmental and Governance. Internal Financial Control is also designed to facilitate effective risk management system of the company.

Company has reasonable Internal Financial Control in place which facilitate and helps in achieving the following effectively:

- To identify and mitigate risks
- To provide reasonable assurance that operations are efficient and effective
- To Safeguard Company assets (tangible & intangible Both)
- To ensure financial reporting is accurate, reliable and on time
- To ensure Company's resources are used prudently and in an efficient, effective and economical manner
- To ensure effective internal control and Internal Audit System in place
- To design a framework through which Company's resources are Directed, Monitored and Measured
- To ensure that Company is in compliance with all law, rules and regulations
- To ensure Company policies and procedures are implemented effectively.

6. ELEMENTS OF INTERNAL FINANCIAL CONTROL FRAMEWORK

The essential elements of an effective internal financial control framework are:

- Culture and environment of Organization
- Delegation of Authority
- Company Policies and procedures
- Trained and properly qualified staff
- Information Technology controls
- Internal audit system
- Senior Management compliance assurance
- Risk identification and assessment

7. KEYNOTES ON INTERNAL FINANCIAL CONTROL POLICY

Internal Financial Controls include reviews of the following areas:

- Audit Committee to evaluate the Internal Financial Controls of the Company through regular internal control & check assessment process
- Define the scope of Internal audit and have internal audit system in place, to ensure that independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under, adequate systems and procedures are in place to safeguard the company assets, internal check & controls are in place to avoid error and frauds. Company transactions are checked, verified and documented and as per approving authorities and company policy. Periodic balance confirmation from debtors, creditors and other parties are obtained.
- Internal Audit, to review the operations to ascertain results are consistent in line with company's set goals, Identify the areas to further strengthening the internal controls in fast changing technology and environment change, review the reliability and integrity of financial and operating information and means used to identify measures, classify and report such information's.
- Risk Management and regular review of risk assessment process covering the major risk faced by the company and key controls to manage the same
- This Policy will be communicated to all concerned persons of the Company and shall be placed on the website of the company at https://virgolam.com/laminates/

8. <u>AMENDMENTS IN LAW</u>

This Policy shall be suitably amended, modified and improved to meet the changing business needs and in respect to any subsequent amendment/modification in the Listing Agreement and/or applicable laws in this regard.