KALAMANDIR JEWELLERS LIMITED
(CIN: U45100GJ2009PLC143790)

Risk Management Policy

1. **PREAMBLE:**

The Board of Directors has adopted the following policy and procedures with regard to risk management. This document lays down the framework of Risk Management at Kalamandir Jewellers Limited (hereinafter referred to as the 'Company') and defines the policy for the same. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. **OBJECTIVES:**

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

3. **DEFINITIONS:**

"Risk"

- Risk is the potential for failure or loss of value or the missed opportunity for value creation/ strategic competitive advantage resulting from either a certain action or a certain inaction.
- Controlling risk is essential in any business by having processes to ensure safeguarding of assets and compliance with appropriate regulatory frameworks.
- However, risks may also have to be taken consciously to explore untapped business opportunities in line with the corporate strategy to optimize maximum potential stakeholder's value and to improve their confidence.

"**Audit Committee**" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013.

"**Board of Directors**" or "Board" in relation to a Company, means the collective Body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]

"**Policy**" means Risk Management Policy.

4. GOVERNANCE FRAMEWORK:

❖ Companies Act, 2013

- Provisions of the Section 134(3)

  Section 134 of the Companies Act, 2013 provides that the Board of Directors' report must include a statement indicating development and implementation of a Risk Management Policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

- Provisions of the Section 177(4)

  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 internal financial controls and risk management systems.

- Schedule IV [Section 149(8)] - Code for Independent Directors.

  Role and functions:
  The independent directors shall:

  - help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

  - satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

5. CONSTITUTION OF RISK MANAGEMENT COMMITTEE:

Risk Management Committee shall be constituted by the Board, as and when required under the applicable Statutes, consisting of such number of directors (executive or non-executive) as the Board thinks fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

6. **APPLICABILITY:**

This policy applies to all the areas of the Company's operations.

7. **RISK IDENTIFICATION**

A. Process: An effective risk identification process would typically:

- Identify the significant risks to the achievement of its business objectives.
- Identify all types of risks, associated major components and controls currently in place, from all sources, across the entire scope of the company's activities.
- Identify internal and external risks specifically faced including financial, operational, sectorial, sustainability including Environmental, Social, and Governance (ESG) related risks, information, cyber security risks or any other risks as may be determined by the Board.
- Identify risks around opportunities as well as threats, to increase the company's chance of maximizing the benefit of those opportunities when they arise.
- Ensure that the organization is aware of its major risks at any point in time, and include elements to update the organization's understanding of risk on an ongoing basis, such as key indicators.
- Be systematic, disciplined and documented, methodical and well-organized and in a format that is capable of being communicated and understood by all.
- Be focusing on the root causes and influencing factors of risk, both internal and external, as well as its effects and outcomes: financial, reputational or other.

B. Risk Register- Salient Features:

- Collates risk information to enable effective sharing and communication of that information.
- Focuses attention on the key risks and therefore drives action.
- Is linked to the capital requirements of the organization.
- Assists in developing a portfolio view of risk.
- Forms the core of an organization's risk knowledge database and is the basis for risk analysis and reporting.
- Facilitates monitoring and review.
- Evidences a systematic and comprehensive approach to risk identification.
- Is subject to regular review and update.

C. **Documenting Risk Register:** A risk register typically captures:

- A description of the risk - including causes and influencing factors, both internal and external.
- The classification of risk category
- Probability of occurrence Risk ownership
- Risk Priority classification
- Mitigation plan

8. RISK ASSESSMENT:

An effective risk assessment process would entail the following:

- Assess the impact and probability of risks, using metrics or scales that are suitable and appropriate to the business, commonly understood across the organization, and in line with its risk policy.

- Use an appropriate assessment method which might be qualitative or quantitative, or a combination of both. The appropriate method will depend on a number of factors, including the nature of the risk and the company's risk policy. Whatever methods are chosen, the organization should be able to demonstrate the effectiveness and appropriateness of its assessment criteria and techniques.

9. RISK REVIEW:

Risks identified shall be reviewed regularly to ensure it stays relevant and appropriate to the nature and level of risk within the organization. The frequency of review should reflect the nature of the risk and its intensity but all risks should typically be reviewed by management at regular intervals.

10. RISK MITIGATION:

After the risk has been identified and evaluated, the respective divisional heads need to develop a risk mitigation plan, which is a plan to reduce the impact of an unexpected event. Mitigation of risks may take the following ways:

- Risk avoidance
- Risk Sharing
- Risk reduction
- Risk transfer

Each of these mitigation techniques can be an effective tool in reducing individual risks and the risk profile of the project. The risk mitigation plan captures the risk mitigation approach for each identified risk event and the actions the project management team will take to reduce or eliminate the risk.

A. Risk avoidance usually involves developing an alternative strategy that has a higher probability of success but probably at a higher cost associated with accomplishing a project task. A common risk avoidance technique is to use proven and existing technologies rather than adopt new techniques, even though the new techniques may show promise of better performance or lower costs.

B. Risk sharing involves partnering with others to share responsibility for the risk activities. Partnering with another entity to share the risk associated with a portion of the project is advantageous when the other entity has expertise and experience the project team does not have. If the risk event does occur, then the partnering entity absorbs some or all of the negative impact of the event.

C. Risk reduction is an investment of certain resources to reduce the risk on a project. E.g. hedging for currency and commodity risks.

D. Risk transfer is a risk reduction method that shifts the risk from the company to another party. The purchase of insurance on certain items is a risk transfer method.

11. POLICY APPROVAL AND REVIEW

The Board will be the approving authority for the Company's overall Risk Management System. The Board will monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

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