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***ADVIT JEWELS LIMITED***

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**RISK MANAGEMENT POLICY**

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## **RISK MANAGEMENT POLICY**

### **LEGAL FRAMEWORK**

The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

Companies Act, 2013 requires the Company to lay down policy which includes the procedure for risk assessment and risk minimization. The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

### **INTRODUCTION**

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

### **APPLICABILITY**

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

### **OBJECTIVE & PURPOSE OF POLICY**

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 business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

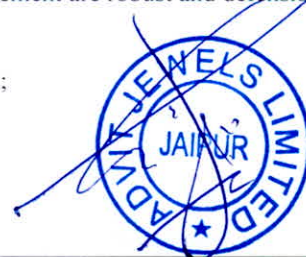
### **THE SPECIFIC OBJECTIVES OF THE RISK MANAGEMENT POLICY ARE**

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e to ensure adequate systems for risk management.
2. To establish a framework for the company's risk management process and to ensure its implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.

### **ROLE OF THE BOARD**

The Board will undertake the following actions to ensure risk is managed appropriately

1. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company
2. Ensure that the appropriate systems for risk management are in place
3. The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
4. Participate in major decisions affecting the organization's risk profile;
5. Have an awareness of and continually monitor the management of strategic risks;



6. Be satisfied that processes and controls are in place for managing less significant risks;
7. Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
8. Ensure risk management is integrated into board reporting and annual reporting mechanisms;
9. Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

#### **COMPLIANCE:**

- a). Ensure adherence to policies, procedures and laws/ rules/ regulations/ standards.

With focus on three key elements, viz.

- (a) Risk Assessment;
- (b) Risk Management; and
- (c) Risk Monitoring.

#### **1. Risk Assessment**

Risk Assessment Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

#### **2. Risk Management and Risk Monitoring**

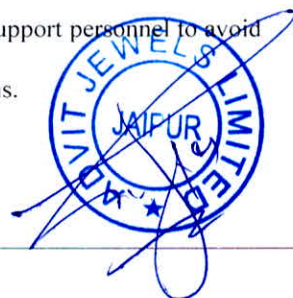
In the management of Risk, the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

- Economic Environment and Market conditions;
- Fluctuations in Foreign Exchange;
- Political Environment;
- Competition;
- Revenue Concentration;
- Inflation and Cost Structure;
- Technological Obsolescence;
- Financial Reporting;
- Legal;
- Compliance with Local Laws;
- Project Management;
- Human Resource Management.

#### **3. Risk Management Measures adopted in general by the Company:**

The Company has adopted various measures to mitigate the risk arising out of various areas described above, including but not limited to the following.

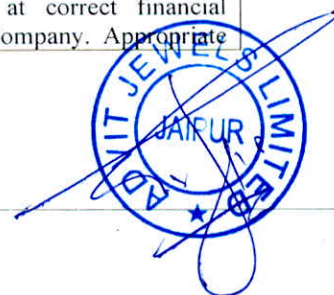
- A well-defined organization structure.
- Defined Flow of information to avoid any conflict or communication gap Hierarchical support personnel to avoid work interruption in absence/ non-availability of functional heads.
- Discussion and implementation on financial planning with detailed Annual Business Plans.



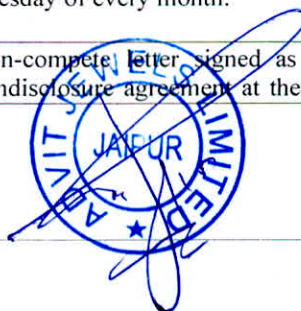
- Detailed discussion and analysis of periodic budgets
- Cash management services to avoid any loss of interest on collections;
- Measures to protect loss in Foreign Exchange transactions due to undue fluctuations in rates etc.
- Systems for assessment of creditworthiness of existing and potential contractors/sub-contractors/ dealers/vendors/ end-users.
- Provision for bad and doubtful debts Recovery management and follow up.
- Documented recruitment policy Well defined appraisal system on a periodical basis
- Employees training and development programs.
- Redressal of Labour grievances by negotiations and conciliation.
- Employees and Workmen welfare activities including ESI, EPF, Gratuity Schemes
- Vigil Mechanism Policy (Whistle Blower Policy).
- Fixed assets Insurance with periodical review of adequacy, rates and risks covered under professional advice.
- Usage of Licensed software, IT related maintenance repairs and upgradation of the systems on a continuous basis, Protection for data integrity by access control & restriction.
- Vetting, review and finalization of all legal and contractual documents by internal as well as external legal experts, consultants.
- Internal control systems to detect, resolve, avoid any frauds .

#### **RISKS SPECIFIC TO THE COMPANY AND MITIGATION MEASURES**

S. No.	Threat/Process	Mitigation Measures
1	Confidentiality risks	Education and clear-cut policy to be circulated and acknowledged by all involved
2	Exchange rate	Before finalizing the price of the product, the exchange rate fluctuations should be observed carefully Economic conditions in the country and outside wherever natural hedge is not available, company to take hedging.
3	Change in taxation policie	Proper tax planning can minimize this risk to an extent Updating with latest amendments in the policies/tax rates to avoid penalties Do sensitive analysis.
4	Country risks	Risks associated with the countries (with which we are doing business) will be examined before getting into any contract.
5	Financial leverage risks	Debt equity ratio is monitored and managed for each project.
6	Risks in settlement of dues by dealers/customers	Systems are put in place for assessment of creditworthiness of dealers/customers
7	Provision for bad and doubtful debts	Provision for bad and doubtful debts is made to arrive at correct financial position of the Company. Appropriate



		recovery management and follow up.
8	Employee turn out	(a) Retaining the required technicians by motivating them through monetary and non-monetary benefits (job rotation, giving higher responsibility etc). (b) Training more persons on multiple skills
9	Marketing expenditure	To draft ROI on market expenditure is required and once the draft is done, we need to implement and monitor it
10	Confidentiality of information	Only most important and necessary is the price may leak out in the tender which is confidential. No one else should know the price except the key people, have to be trust worthy. There is possibility that at the maximum risk of the price being surreptitious. Opening at the customer place before the tender opening time, we need to put the price in full proof covers
11	Lack of coordination among the departments	Weekly meetings are conducted and any issues which remain open within the departments will be addressed and reasons for the delay are monitored. Regular meetings and the database maintenance with updates on the delivery schedules, demos, requirements etc. Automated system to track the status of the project which helps in follow-up on the commitments.
12	Reputation risks	The agents should be properly chosen in different countries. Complete back ground should be studied. Before signing off the contracts with the agents the law of the country can be examined carefully.
13	Weather, natural disasters, accidents	Proper insurance of goods
14	Losing customers due to improper customer feedback analysis and poor assessment	Ensuring customer satisfaction by feedback collection at various levels like CSD, CISO and project managers randomly and conducting customer feedback review meetings on 1st Tuesday of every month.
15	Losing key staff to competitors	Non-complete letter signed as part of nondisclosure agreement at the time of



		joining and at the time of exit by the employee. Initiate legal actions wherever required.
16	Contract Risks	A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
17	Contractual Liability	Vetting of all legal and contractual documents.
18	Insurance Risks	Insurance policies are audited to avoid any later disputes. Timely payment of insurance and full coverage of properties of the Company under insurance.
19	Frauds	Internal control systems for proper control on the operations of the Company and to detect any frauds.

#### **AMENDMENTS**

The Company may amend the Policy as and when it deems necessary either pursuant to any change in law or otherwise. The Company shall be free to devise and implement any supplementary or other policies and guidelines in respect hereof for better implementation of this Policy. Amendments to the Policy. The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

#### **DISCLOSURE IN BOARD'S REPORT**

Board of Directors shall include 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.

#### **REVIEW**

The policy shall be reviewed by the Board from time to time as may be necessary.

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