



## **RISK MANAGEMENT POLICY**

Under Regulation 17(9) read with Regulation 21 and Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

### **SKY GOLD AND DIAMONDS LIMITED**

*(Formerly Known as Sky Gold Limited)*

**CIN: L36911MH2008PLC181989**

**Registered & Corporate Office:**

**Plot No. D-222/2 TTC, MIDC Shirawane, Thane, Maharashtra, 400706**

## **RISK MANAGEMENT POLICY**

### **1. INTRODUCTION**

The Companies Act, 2013 emphasize the requirement of Risk Management Policy for the Company. Section 134(3)(n) of the Companies Act, 2013 requires that the report by the Board of Directors laid at the general meeting shall include a statement on the 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 shall be included in the Board's Report.

The Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company and the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible. Section 177(4)(vii) of the Companies Act, 2013 provides that Audit Committee shall evaluate the internal financial controls and risk management systems of the company.

Regulation 17(9)(a) requires the listed entity to lay down procedures to inform Board members about risk assessment and minimization procedures. Further Regulation 17(9)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the company.

Regulations 21(4) further provides that the board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit. such function shall specifically cover cyber security: it further states that role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II. **(Annexure 1)**

Where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy and procedures until such time as this Policy is changed to conform to the law, rule, regulation or standard

The Board of Directors ("the Board") of Sky Gold And Diamonds Limited ("the Company") has adopted the following policy and the Board may amend this policy from time to time. In case of any subsequent amendments to the Regulations which makes any of the provisions in the Policy inconsistent, the provisions of the Regulations shall prevail.

### **2. OBJECTIVE OF POLICY**

The objective of this policy includes the following:

- Develop a risk culture that encourages all employees to identify risks, associated opportunities/gains and respond to them with effective actions.
- Develop both proactive and reactive mechanism for risk management.
- Identify and manage existing/new risks in a planned and coordinated manner by Risk Register and Risk Control Matrix.
- Develop an incident response management framework to manage the risks that may materialize.

### **3. DEFINITIONS**

“**Company**” means Sky Gold And Diamonds Limited.

“**Risk**” means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.

“**Risk Management**” is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation’s strategic and financial goals.

“**Senior management**” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager including Chief Executive Officer and Manager, in case they are not part of the Board of Directors and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the board of directors, by the listed entity.

“**Risk Management Committee**” means the Committee formed by the Board.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act, 2013 and rules and regulations made thereunder

### **4. RISK MANAGEMENT POLICY & FRAMEWORK**

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.

#### **Classification of Risks:**

**A. Financial / Operational / Preventable / Compliance risks** : These are internal risks, arising from within the organization that are controllable and need to be eliminated or avoided. The example are:

- Risks from employees’ and managers’ unauthorized, illegal, unethical, incorrect, or inappropriate actions
- Retention of talent & succession planning
- Control failures / gaps in IT / Manual process(s)
- Security of assets – tangible and intangible
- Safety of Human Resources
- Compliance with labour / tax / corporate governance laws
- Environmental, Social & Governance (ESG) related risk

**B. External risks** – External risks come up due to economic events that arise from outside of an institution’s control. It arises from external events that cannot be controlled by any an institution, cannot be forecasted with reliability, are normally beyond its control, and it is therefore difficult to reduce the associated risks. The example are:

- Economic risk includes changes in market / national economic conditions viz economic recession, Gold price changes, significant change in global oil prices etc.
- Political risk comprises of changes in the political environment that could hamper business environment.
- Regulatory Risk includes changes in government policies on legal compliances.
- Natural risk factors include natural disasters – earthquake, flood etc - that affect normal business operations.
- Employee strike or labour unrest.
- Cyber security risks.

**C. Disruptive risks**: These are the anticipated or unanticipated events which may result in disruption of the operations of firm or existence of its current business model and Innovations to business models that disrupt the existing paradigm – eg. business models in the e-commerce space that threaten brick and mortar enterprises, technological disruptions, Demand shift due to technology / cross category threats.

**D. Strategic Risks**: Risks taken on consciously linked to strategic choices to earn a higher return.

- New geography, category, manufacturing plants, new channels.

The aggregate level and types of risk the Company is willing to assume within its risk capacity to achieve its strategic objectives and business plan shall be as per its risk appetite. The Risk Management process involves the following phases:

- Risk identification
- Risk evaluation and assessment
- Risk mitigation

#### **4.1 Risk Identification**

Risk identification includes all internal and external risks specifically faced by the Company, which inter alia includes financial, operational, legal & Regulatory, sectoral, sustainability (particularly, ESG (Environmental, social, governance) related risks), information, cyber security risks or any other risk as may be determined by the risk Management Committee. All events that can have an adverse impact on the achievement of the business objectives, will be treated as risk associated with business. All Head of Departments/ Senior Managers shall identify all possible risks associated with their area of operation and report the same to Managing Director, CFO or Company Secretary. All identified risks will be documented for evaluation.

#### **4.2 Risk Assessment and evaluation**

“**Risk Assessment**” means the overall process of risk analysis and evaluation. It includes the determination of the impact, if the risk occurs, on the business / likelihood of the risk occurrence. All identified risks. Shall be evaluated periodically by KMP/Senior Management led by Managing Director / Chief Financial Officer. Based on evaluation, each of the risks can be categorized as - low, medium and high.

### **4.3 Risk Mitigation**

The following framework shall be used for implementation of Risk Mitigation.

All identified Risks should be mitigated using any of the following Risk mitigation plan.

**(a) Risk avoidance:** By not performing an activity that could carry risk. Risk avoidance may have the impact of the potential loss to the company.

**(b) Risk transfer:** Mitigation by having another party to accept the Risk, either partial or total, typically by contract or by hedging / Insurance.

**(c) Risk reduction:** Employing methods/solutions that reduce the severity of the loss.

**(d) Risk retention:** Accepting the loss when it occurs. Risk retention is a viable strategy only for small risks.

### **4.4 Risk Reporting**

All identified risks, with analysis, evaluation, and risk mitigation plan should be reported to risk Management committee periodically, for their review and recommendations.

The risk Management committee shall meet at least twice in a year. The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

## **5. RISK MANAGEMENT TOOLS**

Considering the exposure to fluctuations in prices of gold and other precious metals, the Company may adopt appropriate hedging and price risk management mechanisms to mitigate the impact of market volatility on profitability and cash flows. Such measures may include procurement planning, back-to-back pricing arrangements, customer order-linked purchases, inventory management controls, and use of permitted hedging instruments in accordance with applicable laws, internal policies and approved risk limits. The Company shall periodically monitor hedge positions, exposure levels, effectiveness of hedging strategies and compliance with internal approval processes.

## **6.COMPLIANCE RESPONSIBILITY**

The Risk Management Committee shall be responsible for framing, implementing and monitoring the risk management policy for the company. The Audit Committee should ensure that adequate risk management systems exist. The Risk Management Committee will be responsible for review and action plan to mitigate these Internal, External and the Strategic/Disruptive risks periodically and report to the Board of Directors accordingly.

The Risk Management Committee will discuss calculated risks required to be taken to augment strategic initiatives in a bid to achieve the long term goals of the company. In a typical instance, approach to setting and executing strategy might look at augmenting sales growth, exploring uncharted domestic / international markets, tapping organic / inorganic growth opportunities, elevating brand value or adopting evolving technological platforms for better service delivery.

Compliance of this Policy shall be the responsibility of the officer designated by the Board as Risk Officer or any other KMP who have been Chief Financial Officer of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

The Audit Committee shall review of risk management systems on an annual basis.

#### **7. REVIEW OF THIS POLICY**

This Policy shall be reviewed by the Risk Management Committee periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

#### **8. EFFECTIVE DATE**

This Policy shall be effective immediately from 1<sup>st</sup> April 2025.

## **ANNEXURE 1**

### **Role of Risk Management Committee**

(PART D: ROLE OF COMMITTEES (OTHER THAN AUDIT COMMITTEE) [See Regulation 19(4), 20(4) and 21(4)]

The role of the committee shall, inter alia, include the following:

- (1) To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks
  - (c) Business continuity plan.
- (2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- (3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- (5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- (6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

## **ANNEXURE 2**

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

#### **STRATEGIC BUSINESS RISK**

<b><u>S. no</u></b>	<b><u>Threat/Process</u></b>	<b><u>Mitigation Measures</u></b>
1	Commodity (Gold) Price Volatility Risk	Continuous monitoring of bullion and precious metal price movements; procurement planning linked with customer orders; back-to-back pricing arrangements; inventory optimisation; approved hedging and price risk management mechanisms in accordance with applicable laws and internal policies; periodic monitoring of hedge effectiveness and exposure limits.
2	Product Portfolio & Demand Risk	Continuous monitoring of changing customer requirements; introduction of innovative and value-added jewellery products; market intelligence and data-based production planning.
3	Expansion Risk (Pan-India Growth)	Market feasibility studies, phased expansion strategy, pilot testing of new markets, continuous monitoring of store performance.
4	Business Expansion Risk	Evaluation of market opportunities through phased expansion strategy; financial feasibility analysis; continuous monitoring of operational and commercial outcomes.

#### **GOODWILL AND BRAND RISK**

<b><u>S. no</u></b>	<b><u>Threat/Process</u></b>	<b><u>Mitigation Measures</u></b>
1	Product Quality & Customer Satisfaction Risk	Multi-stage quality assurance processes; BIS hallmarking compliance; standard operating procedures; periodic quality audits and customer feedback monitoring.
2	Brand Reputation Risk	Timely grievance redressal; effective stakeholder communication; quality consistency; monitoring market perception and digital reputation.
3	Legacy Risk – Maintaining trust built over decades with changing consumer expectations	Continued focus on ethical business practices, transparent pricing, consistent customer experience and brand values
4	ESG & Responsible Sourcing Risk	Adoption of responsible sourcing practices; vendor due diligence; periodic sustainability review and compliance monitoring.
5	Advertising & Communication Risk – Misleading or non-compliant advertisements	Legal and compliance vetting of marketing content, adherence to ASCI and regulatory guidelines

## **FINANCIAL RISK**

<b>S. No</b>	<b>Threat / Process</b>	<b>Mitigation Measures</b>
1	Working Capital Risk	Tight inventory control, regular cash flow monitoring, optimisation of credit cycles, diversified banking arrangements
2	Credit Risk – Franchisee / Customers	Assessment of creditworthiness, defined credit limits, periodic review of receivables and ageing analysis
3	Liquidity Risk	Maintaining adequate liquidity buffers, multiple funding lines, periodic stress testing of cash flows
4	Interest Rate Risk	Regular review of borrowing mix, negotiation with banks, monitoring of interest rate trends

## **PRODUCTION AND INVENTORY RISK**

<b>S. No</b>	<b>Threat / Process</b>	<b>Mitigation Measures</b>
1	Inventory Shrinkage / Pilferage Risk	Strong physical security, CCTV surveillance, maker-checker controls, periodic stock audits
2	Non-moving Inventory Risk	Quarterly review of slow-moving inventory, redesign or transfer of stocks across locations
3	Karigar Dependency Risk	Development of multiple karigar relationships, training programs and performance-based evaluation
4	Quality Risk (Gold & Diamonds)	Quality checks at multiple stages, compliance with Kimberley Process, BIS hallmarking adherence

## **OPERATIONAL RISK**

<b>S. No</b>	<b>Threat / Process</b>	<b>Mitigation Measures</b>
1	Store-Level Operational Risk	Regular internal audits, SOP compliance checks, monitoring of store KPIs
2	Store Security Risk	Installation of surveillance systems, access controls and periodic security reviews
3	Logistics & Stock Movement Risk	Engagement of specialised logistics partners, transit insurance and tracking mechanisms
4	ERP / System Failure Risk	Backup systems, data recovery plans, vendor SLAs and periodic IT audits

## **SALES & MARKETING RISK**

<b>S. No</b>	<b>Threat / Process</b>	<b>Mitigation Measures</b>
1	Changing Consumer Preferences	Continuous market research, coordination between design, marketing and sales teams
2	Competition Risk	Monitoring competitor activity, feedback mechanism from ground-level sales teams

## **HUMAN RISK**

<b>S. No</b>	<b>Threat / Process</b>	<b>Mitigation Measures</b>
1	Talent Retention Risk	Competitive compensation, career development plans and engagement programs
2	Knowledge & Skill Risk	Continuous training programs for sales, manufacturing and support staff
3	Attrition Risk	Monitoring attrition trends and targeted retention initiatives
4	Productivity Risk	Defined KPIs/KRAs, performance evaluation and incentive-linked productivity measures

## **LEGAL, REGULATORY & COMPLIANCE RISK**

<b>S. No</b>	<b>Threat / Process</b>	<b>Mitigation Measures</b>
1	Regulatory Compliance Risk (GST, BIS, AML)	Regular compliance reviews, internal audits and staff training
2	Contractual Risk	Vetting of contracts, periodic review of liabilities, penalties and obligations
3	Litigation & Legal Risk	Engagement of legal experts, timely resolution and provisioning where required
4	Insurance Risk	Adequate insurance coverage, periodic policy review and timely renewals