RISK MANAGEMENT POLICY

Under Regulation 17(9)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Approved By	Risk Management Committee, Audit Committee and Board of Directors
Date of Approval	11.03.2022
Revision date	13.02.2025

SENCO GOLD LIMITED

CIN: L36911WB1994PLC064637

Registered & Corporate Office:

Diamond Prestige, 41A, A.J.C. Bose Road, 10th floor,

Unit no. 1001, Kolkata-700017, West Bengal, India

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) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, inter alia, mandates laying down the procedures for risk assessment and minimization. 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 Senco Gold 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 Senco Gold 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 :

- New Stores (location, profitability, Competition)
- 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 executive 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

The Management shall adopt a comprehensive set of Risk Management Tools consisting of Risk Register, Risk Control Matrix and IFC Audit.

5.1 **Risk register** is a repository of risks identified by the management w.r.t the entity and its operations, which may be financial and/or operational. The Risk Register shall be made comprehensively by all functional Heads relating to their respective areas and be duly reviewed by CEO and CFO before submission to Audit Committee and/ or Risk Committee.

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.

The 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

5.2 Risk control matrix is a repository of controls placed by the management to implement measures to mitigate the risks, identified in the risk register.

5.3 IFC Audit from a Companies Act point of view, is a test of controls implemented by the management to mitigate the risks, i.e., to test the design and operating effectiveness of these controls.

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 the date of Listing of Equity Shares of the Company.

ANNEXURE 1

Role of Risk Management Committee

(PART D: ROLE OF COMMITTEES (OTHER THAN AUDIT COMMITTEE) 353[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

S. no	Threat/Process	Mitigation Measures
1	Diversification risk- The consumer base needs to be continuously attracted by the introduction of new products	New products and categories needs to be maintained to keep attracting customers and overcome boredom and increasing price of Gold
2	Technology risk- Changing behavior, technology will make company to be more tech oriented	Changing technology, competition from new tech companies, knowledge has to be updated and investments have to be made to be updated in technology. Retail and technology has to be merged and company needs to continue to strengthen its tech wing. Dependence on ERP also needs to be evaluated and mitigated
3	Penetration Risk- Continue to focus on smaller cities and new markets	Deeper penetration is needed to spread the customer base and acquire new customer while old markets gets saturated.
4	Cyber Security Risk	Increasing online presence and transaction will lead to strengthening of cyber security, data in cloud and all cyber activities will need to be protected through cyber security program
5	Design Risk	IPR of designs, changing design trends and leakage of designs is always possible and through own manufacturing and legal steps, Design risks have to be Mitigated
6	Data Protection Risk	Customer data and company data has to be protected through legal and software investments without harming operations. Policies and process has to be made.
7	Business Continuity Risk	Develop Response to Business Continuity including statutory interference, Obsolescence, Competing Product development, Black Swan event like COVID 20,

GOODWILL AND BRAND RISK

S. no	Threat/Process	Mitigation Measures
1	Senco Brand risk- Multiple relatives using the brand name Senco	Distant relatives are using Senco name and we are using Senco Gold and Diamond. Their activity has to be tracked.
2	Uniformity risk- Own store and franchisee should maintain same level of experience and across India	Franchisee and own stores need to behave in same manner and same ambience, Strong audit at Franchisee level has to be done regularly to monitor the same
3	Quality Control risk- One must	Strong QC of gold , diamond and other jewellery item to

	maintain the product quality at every store for Gold and Diamonds	make customer continue to have faith in Senco products
4	Legacy risk- The trust and 80 yr legacy of brand must be maintained	The 80 yrs legacy and loyal customer base is a responsibility and steps to maintain the legacy has to be maintained

Financial Risk

S. no	**Threat/Process**	**Mitigation Measures**
1	Requirements of Funds Flow	Funds flow support needed from various sources to foster growth of the Company.
2	Steady Cash Flow	To ensure liquidity of company, efficiency of stock management, optimization of stock and steady sales is required to meet all monthly costs and commitment.
3	Volatility of Gold & Silver Price Movement	Gold & Silver price movement can be minimize through proper Hedging of the quantity of Gold & Silver stocks We are using Gold loans and Exchange for hedging our stocks.
4	Change in interest rates	To manage debt at levels at optimal interest rate .The balance between gold metal loan and Cash credit to ensure balance between hedging , liquidity and availability of gold in physical terms is important. .
5	Exchange rate	Forex Exchange rate to fluctuation impact export receipt and gold price .Since we do back to back gold buying with gold remittance ,the risk is mitigated to a large extent .The impact of forex on gold price is mitigated through gold price hedging and gold rate . .
6	Change in taxation policies	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
7	Financial leverage risks	Debt equity ratio is monitored and managed for expansion of the business.
8	Expenditure risks	All the expenditure has to be tied to revenue, budget and revenue generation capabilities. Search for wasteful expenditure will be monitored through audit, analysis and tried to be reduced.
9	Bad and doubtful debt	Provision for bad and doubtful debts is made to arrive at Through Audit and Monitoring. Most of business is Retail so risk is low. Appropriate recovery management and follow up process has to be formulated.

10	Risks in settlement of dues by Franchisee dealers.	Systems are put in place for assessment of creditworthiness of Franchisee dealers. During season, credit is given based on the assessment

PRODUCTION AND INVENTORY RISK

S. no	**Threat/Process**	**Mitigation Measures**
1	Efficiency /Optimum Stock Level	To make sure stock is optimum and moving efficiently
2	Working with Good Karigar	Sourcing of Good Karigar ,training them and keep them motivated has to be done through monitoring and engagement with them
3	Evaluation of Karigar	More System driven selection of Karigar and vendor ,allotment of work & gold on the basis of their performance ,
4	Service to Customers	Timely delivery of stocks ,customer Orders and repair to ensure Goodwill
5	Selection of Diamonds	Checking proper for CVD and maintain quality of diamonds and proper setting to avoid its fall. Also ensure that Diamonds are procured as per Kimberley Process Compliance.
6	Identification of Non-moving Inventory	Quarterly review of the non-moving stocks and regular transfer of such stock Intra state and inter state.

OPERATIONAL RISK

S. no	**Threat/Process**	**Mitigation Measures**
1	Store Level	Proper Audit to be conducted , regular SOP checked by Zonal Manager, monitored the footfalls
2	New store opening	Proper planning for the opening of Store, adhere the SOP, continue follow up with Vendors so that Store be opened in proper time framed and profitable as per plan. Also ensure to monitor the performance of loss making stores.
3	Store Project Planning /Cost Control	Proper Vendor, Interior material selection planning can reduce the cost.
4	Franchisee Operations	Dedicated team can monitor the Franchisee of the company; ensure that Franchisee is following up the guidelines/sop.
5	Security of the Store	This can be minimize by proper surveillance devices install at Store & continue monitor by dedicated team
6	Profitability of Store	Proper analysis of store level EBITDA to measure profitability of store and take actions accordingly
7	Stock movement Risk	This is minimize by hiring the specific industry logistics partners for stock movement of the Company.

SALES & MARKETING RISK

S. no	**Threat/Process**	**Mitigation Measures**
1	Consumption Risk-Live up to changing taste of consumers	Changing customer trend is analysed by designers and marketing team and coordination with sales team and ground level is done along with agency inputs
2	Origin risk-Create a Pan India outlook, break the Bengal, east India barrier	As company grows outside Bengal, the origin perception of Kolkata and Bengal has to be overcome for a successful pan India expansion and marketing strategy has to be made accordingly
3	Price risk- Increasing gold price will affect consumption	Increasing Gold price will be focused and products to be made in lower purity or lighter weight.
4	Competition risk-Competition from bigger corporates and unorganized sector	Tracking of competition activities is needed at ground level. Sales team to give continuous feedback through a mechanism and company must plan accordingly
5	Ground level risk- Keep sales team motivated to keep customer relationship and sales	Sales team at ground level needed to be kept motivated through financial incentive , engagement activities and training program
6	Loyalty risk- Customers can become disloyal to brand and be allured by new brands	Loyalty program, dormant customer activation program and continuous exciting offers and new collection introduction to make customer excited.

HUMAN RISK

S. no	**Threat/Process**	**Mitigation Measures**
1	Knowledge risk-	Continuous training of manpower for ensuring better service and experience to customers
2	Talent risk-	Retaining right talent, identifying them and acquiring them for company Company might get involved in vocational training to get continuous supply of trained manpower
3	Attrition risk-	High attrition rates in certin areas may lead to continuous instability in that market
4	Productivity risk-	Improper evaluation of manpower, unable to track kpi kra may lead to less productivity or lack of motivation

LEGAL RISK

S. no	**Threat/Process**	**Mitigation Measures**
1	Contract Risks	A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
2	Legal Risk	Vetting of all legal and contractual documents
3	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.
4	Frauds	Internal control systems for proper control on the

		operations of the Company and to detect any frauds.
5	Regulatory and Compliance Risk	Changing compliances New regulations, changing taxation policies have to be monitored through a checklist mechanism and various consultants are employed along with knowledge updation of teams to mitigate the risks.