VAIBHAV GLOBAL LIMITED
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RISK MANAGEMENT POLICY

1. Back Ground and implementation

1.1 The Risk Management Policy is framed by considering various types of risks assessed by Vaibhav Global Limited ("Company/VGL"), with a view to have a better management & reporting system of such risks and to take appropriate action to assess such risks on a timely basis.

1.2 Requirement Risk framework: In compliance of Companies Act, 2013 ("the Act") read with rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") :

a) the Board of Directors of a company, as part of the Board's Report, to give *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.*

b) Section 177(4)(vii) of the Act require that 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 risk management systems.

c) Listing Regulations, across its different sections, invariably lays greater emphasis on Risk Management being one of the key functions of Board where responsibility is cast upon the Board to:-

- review and guide Risk Policy
- ensure that appropriate systems of control are in place, in particular, systems for risk management.
- ensure that, while rightly encouraging positive thinking, it does not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk have ability to 'step back' to assist executive management by challenging the assumptions underlying risk appetite.
- The board of directors shall be responsible for framing, implementing and monitoring the risk management plan
- 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.
- evaluation of internal financial controls and risk management systems by Audit Committee.

2. Risk Management System

At VGL, we recognize that every business entails risk. We consider activities at all levels of the organization viz ; Enterprises level; Division level; Business unit level and Subsidiary level are considered in the risk management framework. All these components are interrelated and drive the Enterprise wide risk management with focus on three key elements viz;

A) Risk Assessment
B) Risk Management
C) Risk Monitoring

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.

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:

1. Business Operations Risk

These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organisation and management risks,
- Production, process and productivity risks,
- Business interruption risks,
- Profitability

Risk mitigation measures:

- The Company functions under a well defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
- Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
- Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programs.
- Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.

- Monthly review of the performance of the Company and comparing with the budgets.
- Development of Remote access capability in all core supporting departments/areas.

2. Liquidity Risks:

• Financial solvency and liquidity risks

• Borrowing limits

• Cash management risks

Risk Mitigation Measures:

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.
- Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.
- These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances.
- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Periodic review of working capital is done on an ongoing basis senior financial team member.
- Controls built in system for credit card collections in UK, USA and daily reconciliation done with sales.

3. Exchange rate fluctuation risk

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD/Pound and other currencies and accordingly face foreign currency exposure from our sales in other countries and from our purchase of rough from overseas suppliers in U.S. dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

Risk mitigation

The foreign currency risk is managed through natural hedge for export receivables against import of raw materials. The working capital from banks in foreign currencies also provides a natural hedge against export receivables.

As the working capital is moved towards INR in India, debtors are hedged and the currecncy fluctuation risk minimized The CFO is empowered to take all necessary steps to avoid or mitigate the fluctuating risk including to make or introduce the hedging for avoiding currency fluctuating risk.

4. Geographic concentration risk

A significant portion of the company's total revenues is derived from USA and UK. An excessive dependence on a single market may make the business unsustainable.

Risk mitigation

- The Company has just 3% of the market share. Therefore, the risk is minimal.
- Exploring new markets across the globe. The Company has decided to expand its market in Germany as well beyond US and UK now to further leverage our internal capabilities and strength of our business model.
- Expanding market share though increase in household coverage.
- Expanding portfolio and Introducing new SKUs on a daily basis.

5. Seasonality risk

Fashionable apparel and accesories are considered to be a seasonal business; lower revenues in the off season may make the business unsustainable.

Risk mitigation

- Offers products at discount price during end of season clearances.
- $1 No Reserve online auctions to clear out tails and non moving product in small runs.
- Establishing a cadence to donate large run non-moving off season products to get tax credit.

6. Working Capital risk

Considering the nature of the jewelry business, a mismatch between receivables and payables could result in a liquidity crisis.

Risk mitigation

Vaibhav Global's prudent working capital management resulted in a effective and efficient control over receivables and inventory. The Company has been maintaining liquidity through efficient receivables and inventory management. Holding period have been reducing. System based control to be built for better management.

7. Raw materials risk

High volatility in precious metal prices, rough gemstones and low indigenous reserves of rough stones and diamond may impact the profitability of the Company .

Risk mitigation

- Sourcing gemstones directly from the mines through international auctions and direct relationships.
- Efficient Sourcing units have been developed for uninterrupted supply of raw materials
- Proper inventory control systems have been put in place.
- Offer to channels is made on USD / Pound basis, thereby eliminating risk.

- Cycle to metal to finish product is fast and since, our sales are B2C we are able to shift the price volatility on the consumers.

8. Product obsolescence risk

The company caters to dynamic markets where fashion change rapidly, making the need to predict trends accurately critical.

Risk mitigation

- The Company has a rich collection of designs and also with the help of its efficient designers in place, it produces new designs which are in vogue looking into the customer choices.
- Members of the design team are sent by the Company to other countries to study design trends, enabling a faster product turnaround.
- The rising auction mechanism on web starting at $ 1 is an efficient mechanism to clear products left over from TV
- Clearance sale from time to time

9. Manpower risk

Human resources is most valuable asset for any industry. There is inherent risk on account of skilled and specialized manpower. They gain experience working with the Company and need continuous motivation and supervision so that their efforts can be used for the growth of the Company. There is a risk of specialized manpower leaving the jobs, joining competitors, sharing confidential information with competitors etc.

Risk mitigation

The Company's manufacturing unit is located in Jaipur, traditional hub of gemstones and known in the world for its excellent in cutting and polishing. The Company's progressive HR practices, with a thrust on transparent recruitment, training and professionalism, make it an employer of choice. The Company has proper recruitment policy for recruitment of personnel at various levels in the organization. Employees are encouraged to make suggestions and discuss the problems with their superiors to make them feel integral part of organization and comfortable in their work place. The HR ensure better policies to stop brain drain. Being a digital savy organization, company shall ensure adequate backup of IT manpower or service providers.

The Company's Management Trainees program regarding recruitment of MTs from good/ reputed institutes and developing them as per business requirement helps to provide more productivity/efficiency and creates a sense of sustainability, belongingness among them.

The company is also launching an ESOP policy for all its employees, there by further inculcating an ownership culture, which besides attracting good talent would also help in retention of talent.

10. Wastage risk

The jewelry manufacturing process comprises a high use of metals and rough gemstones and wastage of the same could lead to considerable loss.

Risk mitigation

The Company controls wastage in two ways:

- Through training and process orientation to make employees conscious; it initiated a multi-stage filtration and sieving process to recover gold waste. Its ERP system maintains critical data ascertaining waste generated per employee per day, ensuring tighter control.

- Installed vacuum based gold collection systems from Ambient Air, equipped to extract effluents from hands and ensure apparel washing. Its return air dust collector and sedimentation tanks ensure superior water collection. Moreover, the units house cameras for strict anti-theft vigilance and physical frisking

11. Competitor Risk

The jewelry industry has a large number of players. New Competitors are coming or existing competitors are adopting our low cost end to end business model.

Risk mitigation

At Vaibhav Global, we have taken the best possible action to counter competition. We have successfully achieved this by :

- making the company one of the best end-to-end vertically integrated player
- going directly to the end customer through television marketing channels and websites.
- improving technology
- hiring and developing the best talent in the industry.
- Maintaining our operation very low-cost, which will be difficult to replicate.
- Excellent product innovation process ensures we remain on the forefront of current trends.

12. Legal /Compliance Risk

For alleged non compliances / violation of various laws applicable to the Company, there can be legal liabilities on the Company and the management. This may arise and be fixed on the Directors, individually or collectively and all the officers who are involved.

Risk mitigation

Legal liability risks are minimized by ensuring that legal compliances are duly done with periodical review by the Company Secretary & CFO with comprehensive Compliance Chart and there is constant reporting back to the Board about the compliances. The Company has also taken Directors and officers Insurance Policy against the risks that may arise due to any legal liability.

13. Disaster Risks:

- Natural risks like Fire, Floods, Earthquakes, etc.

Risk Mitigation Measures:

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.
- Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.
- Disaster Recovery Plan is being worked upon.

14. System/IT/Data Risks:

- System capability
- System reliability
- Data integrity risks
- Coordinating and interfacing risks

Risk Mitigation Measures:

- IT department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- The Company ensures "Data Security", by having access control/ restrictions.
- Customer credit card data is protected by tokenization of all data so full card information is not stored on any of our servers.
- IT head's responsibility to ensure data safety, privacy, protection and compliances of GDPR regulations.

15. Market Risks / Industry Risks:

- Demand and Supply Risks
- Quantities, Qualities, Suppliers, lead time, interest rate risks
- Interruption in the supply of Raw material
- Consumer behavoiur

Risk Mitigation Measures:

- Demand and supply, Consumer behaviour are external factors on which company has no control, but however the Company plans its production and sales from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's products.

- The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, retention of customers, delivery mechanisms, technical inputs and advice on various aspects of de-bottlenecking procedures, enhancement of capacity utilisation in customer-plants etc.

16. Sustainability Risk (Environment, Social and Governance)

Environmental, social and governance (ESG) are three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and return of investments. Responsible investors evaluate companies using ESG criteria as a framework to screen investments or to assess risks in investment decision-making.

Environmental factors determine a company's stewardship of the environment and focus on waste and pollution, resource depletion, carbon footprint, imbalances due to mining, deforestation, and climate change.

Social factors look at how a company treats people and focuses on employee relations and diversity, working conditions, local communities, health and safety, and conflict.

Governance factors take a look at corporate policies and how a company is governed. They focus on tax strategy, executive remuneration, donations and political lobbying, corruption and bribery, and board diversity and structure.

Risk mitigation

Environmental risks created by business activities have actual or potential negative impact on air, land, water, ecosystems, and human health. The Company shall take proper steps for managing resources and preventing pollution, reducing emissions and climate impact, and executing environmental reporting or disclosure. The steps taken towards environment sustainability are:

- Separate department/team is looking the sustainability functions
- Installation of water treatment plants at its various manufacturing units.
- Use of renewable energy by establishing solar plants.
- Setting up of Rain harvesting facilities at its various manufacturing units.
- Extensive plantation of trees undertaken for green belt development.
- Setting up of electrostatic precipitators, filters etc as required from site to site.
- Focus on efficient operations of environment protection system, collaborating with LEED for Green Building Certificate.
- Reduction of Carbon footprint by various modes i.e. through EV vehicles
- Dealing with mining vendors for Gems, Stones etc opting ethical mining norms & practices, compensating sustainability activities (scope -3) .
- Exploring suitable sustainable packaging in future terms

Social risks refer to the impact that companies can have on society. The Company shall undertake social activities such as promoting health and safety, encouraging labour-management relations, protecting human rights and focusing on product integrity. Social positive outcomes include increasing productivity and morale, reducing turnover and absenteeism and improving brand loyalty. The following major activities taken towards social factors are as under:

- Transparency in vendor/manpower selection, equality and opportunity to all.
- Well defined policies and procedures to avoid unethical practices and having proper compliances i.e. no child labour, no gift policy, Anti Bribery & Corruption Policy, supplier code of conduct, whistle blower policy, POSH Policy etc
- Giving back to Community. i.e. Yours' purchase feeds, scholarship etc
- Best practices for employees welfare, care, safety and security, skill & development program, opportunity to grow.
- Dealing matters empathetically and resolving issues with mutual consent.

Governance risks are well taken care of. The rapidly changing legislative framework in India requires a very stringent compliance by corporate entities to the provisions of the Companies Act, 2013, Secretarial Standards, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and various other regulations framed by SEBI on a regular basis, which provide stringent provisions including imposition of penalty and prosecution.

As such, compliance related risks have assumed high importance. In addition to these, there are several laws which govern the operation of any factory, and the Company is exposed to various compliances under the Factories Act, 1948, Pollution Law, etc. The Legal and Secretarial department shall review the legislative changes to ensure that the Company complies with the changing regulations as a constant monitoring process and in time. Timely publication of financial results, annual accounts, seeking various approvals from members etc. are also important aspects of Compliance Related risk.

Departmental Heads furnish compliance certificates regarding compliances of various Laws applicable to their departments, on quarterly basis, which are placed before the Board of Directors.

The Company's Code of business ethics is the key guideline for all employees. The Company is committed to high ethical standards and integrity in its businesses, preventing corruption and violations of the principles set forth in the code of business ethics of the Company. The Company's top management has zero tolerance for corruption and fraud.

17. Information Risk

To keep the important information/data, safe, secure and protected. The risk of information are:

- Confidentiality of Information
- Availability/sharing of Information
- Loss of information

Risk mitigation

At Vaibhav Global, we have taken the best possible action to counter competition. We have successfully achieved this by :

- Sharing information to need to know basis
- Information Labelling - public, internal-only, confidential, and restricted and deal accordingly
- Execution of NDA with whom information is being provided.
- Keeping sensitive information in encrypted form
- Keeping information secure, protected and proper backup.

18. Business Continuity Plan :

Business Continuity Plan (BCP) is a step-by-step guide to follow response to a natural or man-made crisis or any other incident that negatively affects the Company's key processes or service delivery. The objective of the Business Continuity Plan is to support the business process recovery in the event of a disruption or crisis. This can include short or long-term crisis or other disruptions, such as fire, flood, earthquake, explosion, terrorism, tornadoes, extended power interruptions, hazardous chemical spills, Epidemic and Pandemic and other natural or man-made disasters.

RIsk scenario: Minor/ short term distruption at individual business, process, site level. Major /long term at Business level or organizational level.

Risk mitigation

- Bussiness continuity plan/ disaster recovery plan at business process /site /organizational level.
- Disaster recovery committee, who shall be responsible for laying out crisis response mechanism, communication protocols, and periodic training and competency building on crisis management.
- Establish a way to recover a data centre at a different site if a disaster destroys the primary site or otherwise renders it inoperable.
- Safeguard the ability to keep things running during a disruption, as well as during planned outages such as scheduled backups or planned maintenance.

19. Chief Risk Officer:

A chief risk officer (CRO) shall evaluate company's risk by monitoring regulatory, technical and competitive factors. CRO shall report to their company's CEO or Risk Management Committee or board of directors. The day-to-day risk management duties for a CRO shall inter-alia include determining and evaluating a company's risk tolerance, creating strategic plans to mitigate risk and generating reports on a company's risks and risk management initiatives and distributing them to employees, executives and stakeholders.

20. Roles and Responsibility of the Risk Management Team :

a. Risk assessment and its management as per identified and defined plan and policies will be done under the leadership of the Chief Risk Officer (CRO) or any other assigned team.

b. Ensuring sound risk management systems and practices are established and maintained to give effect to this identified Policy and the risk appetite statements approved by the VGL Board.

c. Ensuring the accurate, timely and consistent flow of risk management information to the Board.

d. Designing and implementing appropriate risk management processes and controls and establishing a sound risk aware culture throughout the enterprise.

21. Review and Amendment in the Policy :

a) This Policy shall be reviewed from time to time to ensure it meets the requirements of legislation and the needs of organization.

b) Any subsequent amendment/modification in the applicable laws in this regard shall automatically apply to this Policy.

c) Any change/amendments to this policy shall be approved by Risk Management Committee and any other person authorised by it.

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(Amended as on – 29.03.2021)
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