PDS LIMITED

(Erstwhile PDS Multinational Fashions Limited)

RISK MANAGEMENT POLICY

(adopted by Board of Directors on May 27, 2021)

1. OBJECTIVE

This document lays down the framework of Risk Management at PDS Limited (hereinafter referred to as the **'Company'**) and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and lays down the mitigation methods which are periodically reviewed and modified in a manner commensurate with the size and complexity of the business.

The objective of Risk Management Policy at the Company is to preserve shareholder value to the extent practically feasible by identifying and mitigating major operating, internal and external business risk. An enterprise-wide risk management framework is applied in a manner such that the effective management of risks at different levels and different functions is an integral part of every employee's job.

The Risk Management Policy is framed as per the provisions of Section 134(3), 177(4), 149(8) and Regulation 4, 17 and 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the SEBI Listing Regulations').

2. DEFINITIONS

3.1 **"Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
3.2 **"Company"** shall mean PDS Limited.
3.3 **"Board"** means Board of Directors of the Company.
3.4 **"Directors"** mean Directors of the Company.
3.5 **"Senior Management"** shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the Chief Executive Officer and shall specifically include Company Secretary and Chief Financial Officer.
3.6 "**Risk Management Committee**" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. SCOPE AND APPLICABILITY

The aim of risk management is to maximize opportunities in all activities and to minimize adversity. This policy applies to all activities and processes associated with the normal operations of PDS Limited. Effective risk management allows the Company to:

- embed the management of risk as an integral part of its business processes;
- establish an effective system of risk identification, analysis, evaluation and treatment within all areas and all levels;
- Make informed decisions
- avoid exposure to significant reputational or financial loss;
- assess the benefits and costs of implementation of available options and controls to manage risk.
- Have increased confidence in achieving its goals
- Strengthen corporate governance procedures

Thus, it is the responsibility of all Board members, Senior Management and employees to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

4. Risk Strategy

Risk is an integral and unavoidable component of business and the Company is committed to managing the risk in a proactive and effective manner. The Company is mainly engaged in business of investment holding, design, development, marketing, sourcing and distribution of ready-made garments in India and abroad.

Types of Risks:

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks, inter alia, are Regulations, Competition, Business risk, Technology Obsolescence, Retention of talent etc. Business risk, inter-alia, further includes Financial risk, Political risk, Legal risk etc.

For managing Risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the Company would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

5. RISK MANAGEMENT FRAMEWORK

The Company has clearly defined the responsibility and authority of the Company's Board of Directors to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program. Further, an Internal Audit team has also been formed to identify and assess key risks and formulate strategies for mitigation of risks identified in consultation with the process owners.

The key elements of the Company's risk management program are set out below.

Risk Identification:

The risk management process starts with the systematic identification of risks. Only if such risks are recognized in a timely manner can they be successfully managed. A prerequisite for efficient risk identification and subsequent risk treatment is a consistent and comprehensive understanding of business objectives and strategies. There could be other risks which will emanate because of changes in the internal or external environment within which business operates. These risks are to be identified by the Risk Owners during the normal course of business.

Risk Assessment:

This step involves understanding and listing of the potential threats that may affect the realization of the key success parameters, including the objectives of the organization or a project. Risk assessment involves identification and prioritization of risks. Likelihood and Impact of risk events have to be assessed for the purpose of analyzing the criticality. The potential impact may include:

➢ Financial loss;

➢ Loss of talent;

➢ Non-compliance to regulations and applicable laws leading to fines, penalties and even closure of the Company under Insolvency and Bankruptcy Code 2016 etc.

➢ Health, Safety, loss of life, damage to property and Environment related incidences;

➢ Business interruptions / closure;

➢ Loss of values, ethics and reputation.

The likelihood of occurrence of risk is rated based on number of past incidences in the industry, previous year audit observations, Government Policies, information from competition, market data, future trends or research reports.

Risk may be evaluated based on whether they are internal or external, controllable or non-controllable, inherent and residual.

Risk Prioritization

Risk prioritization is the process of identifying the key risks. Risks are determined as priority depending on their analysis which is based on significance of their impact on the realization of the objectives of the organization/event/activity/scheme.

Risk Mitigation:

The Risk can be mitigated or controlled by –

- having good internal controls
- Avoided, by not entering into risky businesses
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk
- Shared, by following a middle path between retaining and transferring risk

6. RESPONSIBILITY OF RISK MANAGEMENT

Management:

Management should perform and monitor day-to-day risk management activity .The Management is responsible for periodically reviewing the group's risk profile, fostering a risk-aware culture and reporting to the Audit Committee/Risk Management Committee on the effectiveness of the risk management framework and of the company's management of its material business risks. More specifically, Management is responsible for:

➢ Promoting Risk Policy Framework;

➢ The design and implementation of cost effective risk management and internal control systems in accordance with the guidelines to manage risk, encourage efficiencies and take advantage of opportunities;

➢ Continuous monitoring and reporting of the effectiveness of risk controls;

➢ Monitoring compliance, investigating breaches, recommending and/or approving improvement opportunities.

➢ Create a positive control environment by setting a positive ethical tone and removing temptations for unethical behavior

➢ Preparing a written code of conduct for employees

➢ Ensure that personnel have/ maintain a level of competence to perform their duties.

➢ Clearly define key areas of authority and responsibility

➢ Establish appropriate lines of reporting

➢ Establish management control policies and procedures based on analysis of risk

➢ Use training, management communications to reinforce the importance of control management

Employees:

Employees are accountable for actively applying the principles of risk management within their areas of responsibility and fostering a risk-aware culture. More specifically, Employees are responsible for:

➢ Report to their immediate leader or supervisor, any real or perceived risks that become apparent and may significantly affect the Company's: Commercial viability; Profitability; Assets; Business continuity; Customers; Regulatory and/or legal obligations; Reputation; and/or People and/ or their safety.

➢ Report to their immediate leader or supervisor, any real or perceived risks that company's operations may significantly affect the broader: Environment; and/or Community.

➢ Look for opportunities to improve operational efficiencies and optimize outcomes.

Risk Management Committee:

➢Maintain oversight and monitor the effectiveness of internal controls and risk management activities.

➢ Risk Management Committee assists the Company in overseeing the company's risk profile and is responsible for overseeing the effectiveness of management's actions in the identification, assessment, management and reporting of material business risks.

➢ Ensure independence of Internal Audit from management of subsidiaries & Units.

➢ Any deviations will be reported by Risk Management Committee to Audit Committee.

Responsibility of Internal Auditors:

Internal Audit provides independent assurance on the effectiveness of internal controls and the Risk Management Framework. It is responsible for:

➢ Developing and implementing an annual audit plan having regard to material risks

➢ Reviewing the effectiveness of company's risk management policy and risk management processes; and Notifying Group Risk of new and emerging risks identified in the course of implementing the audit plan and, where necessary, modifying the audit plan to take account of the impact of new risks. Ensure professional competence of audit staff.

➢ Advise management on areas of risk

➢ Establish auditing strategic plans and goals

➢ Perform audit of operations

➢ Evaluate adequacy and effectiveness of Internal Control mechanism

➢ Recommend ways to improve operations and strengthen controls

➢ Follow up to ensure recommendations are fully and effectively implemented.

Common Internal Control practices:

- ➢ Performance indicators are developed &monitored
- ➢ Secure and safeguard all vulnerable assets
- ➢ An organization's workforce is effectively trained and managed so as to achieve results
- ➢ Key duties and responsibilities are divided among people to reduce the risk of error &fraud.
- ➢ Information processing is controlled Eg. Audit checks of data entry
- ➢ Access to resources and records is limited to authorized individuals. Accountability for their custody and use is assigned and maintained
- ➢ Internal control and all transactions and other significant events are clearly documented and the documentation is readily available for examination
- ➢ Transactions & other significant events are authorized and executed only by authorized person
- ➢ Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.

7. RISK ORGANIZATION STRUCTURE

For successful implementation of risk management framework, it is essential to nominate senior management individuals to lead the risk management committee. This will ensure that risk management is fully embedded in management processes and consistently applied. Senior management involvement will ensure active review and monitoring of risks on a constructive basis.

Board of Directors

Audit Committee

Risk Management Committee

Head of Departments(HODs) as Risk Managers

Each Employee as Risk Owner

8. DISCLOSURES AND RELATED POLICIES

The Board's report shall contain a statement indicating 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.

This Risk Management Policy is supported by, and linked to, specific policies ad Code of the Company issued from time to time. These policies and standards include, but are not limited to:

- Company's Code of Conduct
- Sexual Harassment Policy
- Vigil Mechanism/ Whistle Blower Policy
- Corporate Social Responsibility Policy

9. AMENDMENT AND LIMITATION

This Policy may be reviewed and amended periodically as and when required by the Board to ensure that it meets the objectives of the relevant legislation and needs of the Company and remains effective. The Board has the right to change/ amend the policy as may be expedient taking into account the law for the time being in force. In the event of any amendment(s), clarification(s), circular(s), provision(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then the same shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly.

Further, in the event of any conflict between the provisions of this Policy and the Companies Act, 2013 or any other statutory enactments or rules, the provisions of SEBI Listing Regulations or the Companies Act, 2013 or statutory enactments or rules made thereto shall prevail over this Policy.

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