



TCNS CLOTHING CO. LIMITED

RISK ASSESSMENT AND MANAGEMENT POLICY

[Pursuant to Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 134(3) of the Companies Act, 2013]

Effective Date: 2nd February 2018 (Further amended on 8th February 2019 and 21st June 2021)

I. SCOPE

This Risk Assessment and Management Policy (“**Policy**”) establishes the philosophy of TCNS Clothing Co. Limited (“**Company**”), towards risk identification, analysis and prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company. This Policy is applicable to all the functions, departments and geographical locations of the Company.

II. OBJECTIVE

The objective of this Policy is to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The key objectives of this Policy are:

- (a) Safeguard the Company property, interests, and interest of all stakeholders.
- (b) Lay down a framework for identification, measurement, evaluation, mitigation and reporting of various risks.
- (c) Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
- (d) Balance between the cost of managing risk and the anticipated benefits.
- (e) To create awareness among the employees to assess risks on a continuous basis and develop risk mitigation plans in the interest of the Company.
- (f) Provide a system for setting of priorities when there are competing demands on limited resources.

III. RISK MANAGEMENT COMMITTEE

This Policy will be implemented through the establishment of the Risk Management Committee (“**Committee**”) accountable to the Audit Committee / Board of Directors.

IV. COMPOSITION OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director and in case Company having outstanding SR equity shares anytime then at least two thirds of the Risk Management Committee shall comprise independent directors.



V. QUORUM FOR THE RISK MANAGEMENT COMMITTEE

The quorum necessary for transacting business at a meeting of the Committee shall be 2 (two) members or 1/3 (one-third) of the members of the Risk Management Committee; whichever is higher, including at least one member of the board of directors in attendance.

VI. MEETINGS OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall meet at least (2) two times in a year and/or at such other time as deemed fit by it in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

VII. AUDIT COMMITTEE

The Audit Committee of the Board of the Company shall review the processes for identification and assessment of the risks, reviewing the outcomes of risk management processes, and for advising the Company as necessary from time to time.

VIII. RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

The responsibilities of the Committee shall be as follows:

- (a) Discuss with senior management, the Company's Enterprise Risk Management ("ERM") and provide oversight as may be needed.
- (b) Ensure it is apprised of the most significant risks along with the action management is taking and how it is ensuring effective ERM.
- (c) Reviewing risk disclosure statements in any public documents or disclosures.
- (d) Formulate, review and recommend changes to this Policy and/or associated frameworks, processes and practices of the Company.
- (e) Implementing and overseeing the Cyber Security aspects.
- (f) Be aware and concur with the Company's risk appetite including risk levels, if any, set for financial and operational risks.
- (g) Ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- (h) Review the Company's portfolio of risks and consider it against the Company's risk appetite.
- (i) Being apprised of significant risk exposures of the Company and whether management is responding appropriately to them.
- (j) Report periodically to the audit committee.
- (k) The Risk Management Committee shall have access to any internal information necessary to fulfil its oversight role. The risk management committee shall also have authority to obtain

advice and assistance from internal or external legal, accounting or other advisors.

- (l) Perform other activities related to this Policy as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.
- (m) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- (n) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
- (o) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- (p) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
- (q) To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any). To 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.”

IX. RISK MANAGEMENT PROCEDURE

The Company is required to maintain procedures to provide the systematic view of the risk faced by the Company in the course of its business activities. This will require the Company to:

- (a) **Establish a Context:** Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- (b) **Identify Risks:** This is the identification of what, why and how events arise as the basis for further analysis.
- (c) **Analyse Risks:** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.
- (d) **Evaluate Risks:** This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized.
- (e) **Treat Risks:** For higher priority risks, the Company is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- (f) **Monitor and Review:** This is for the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- (g) **Communication and Consultation:** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.
- (h) **Development of framework for identification of internal and external risks:** The framework for identification of internal and external risks must include particularity financial,



operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

- (i) **Measures for risk mitigation:** Measures for risk mitigation to be taken including systems and processes for internal control of identified risks.
- (j) **Business continuity plan.**

X. APPROACH TO RISK MANAGEMENT

The following methodology will be adopted to identify and mitigate risks to which they are subjected.

- (a) **Identification of Risks:** This would envisage identification of the potential list of events/perils/risks/factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories.
 - (i) **Strategic Risk: Competition,** inadequate capacity, high dependence on a single customer/vendor.
 - (ii) **Business Risk:** Project viability, process risk, technology obsolescence/changes, development of alternative products.
 - (iii) **Market/Industry Risk:** raw material availability and movement of rates, demand and supply risks, quantities, qualities, suppliers and lead time, and increase in costs.
 - (iv) **Finance Risk:** Liquidity, credit, currency fluctuation.
 - (v) **Environment Risk:** Non-compliances to environmental regulations, risk of health to people at large.
 - (vi) **Personnel Risk:** Health and safety, high attrition rate, incompetence.
 - (vii) **Operational Risk:** Process bottlenecks, non-adherence to process parameters/pre-defined rules.
 - (viii) **Reputation Risk:** Brand impairment, product liabilities.
 - (ix) **Regulatory Risk:** Non-compliance to statutes, change of regulations.
 - (x) **Technology Risk:** Innovation, obsolescence.
 - (xi) **Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment.
- (b) **Evaluate and Prioritize Risks:** Estimate risk levels against pre-established criteria as may be determined by the Risk Management Committee. This will enable risks to be ranked and prioritized. The risks can be evaluated by plotting them on the risk map.
- (c) The Committee should identify certain risks, which cannot be quantified in monetary terms and as such not possible to rank them. In such cases, the consequences of the risk need to be



evaluated. The following could be used as criteria to identify such risks:

- (i) Impact on fatality or irreversible disability/impairment to human life.
- (ii) Impact on the environment
- (iii) Impact on the Brand Equity including public litigation

XI. RISK REGISTER

The Committee should ensure compilation of a Risk Register in the appropriate format.

XII. TREATMENT OF RISKS

For high priority risks, the Committee and management should develop and implement specific risk management/ mitigation plans. Low priority risks may be accepted and monitored.

The Committee should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities. The Risk Management Committee should ensure approval of the control measures to be initiated against the identified risks from the designated personnel after analysing cost v/s benefits.

XIII. MONITOR AND REVIEW

The Risk Management Committee is responsible for overall monitoring of the risk management processes.

XIV. COMMUNICATION AND CONSULTATION

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

The Risk Management 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.

XV. REPORTING

Quarterly/half yearly/annually, as necessary, reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee and Board. The responsibility of compilation of report is entrusted with the Risk Management Committee. The Risk Champions should submit quarterly/half yearly/annually, as necessary report on compliance of this Policy to the Risk Management Committee.

XVI. TRAINING

The Risk Management Committee should identify the need for imparting training to concerned persons as well as other key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc. The training budget should be prepared at the beginning of the year and should be approved by the appropriate authority.



XVII. RETENTION OF DOCUMENTS

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years.

XVIII. IMPLEMENTATION REVIEW

To ensure adequate and complete implementation of this Policy, internal audit reviews should be carried out at least annually.

XIX. POLICY REVIEW

The Policy shall be reviewed annually for modification based on change in business environment and practices.

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