

PBM POLYTEX LTD.

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**(Review, Revised and Approved by Board of Directors on 29th May, 2024)
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RISK MANAGEMENT POLICY

Risk

Risk is a combination of the probability of an event and its consequences which are likely to be negative. A business risk is like a threat which leads to non-fulfillment of objectives/goals of the organization on the occurrence of certain event(s). In the safety field, it is generally recognized that consequences are only negative and therefore, the management has to focus on prevention and mitigation of harm.

Risk Management

Risk Management is the process of controlling various risks in the organization by identifying or assessing those risks well in advance and taking steps to minimize those risks.

The focus of good risk management is the identification and treatment of business risks. Risk Management is a continuous and developing process which runs throughout the organization's strategy and implementation of that strategy.

Risk Assessment

Risk Assessment is defined as the overall process of risk identification, assessment, risk prioritization and execution of appropriate response strategy to ensure that effective and efficient controls or risk mitigation activities are in place to address potentially high-impact operational risks and take necessary steps to ensure that they are sustainable over a period of time.

Objectives of the Policy

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed
2. To establish a framework for the company's risk management process and to ensure its implementation
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices
4. To assure business growth with financial stability

5. To monitor and review the cyber security and related risks.

Types of Risks in Business:

Risks can be categorized into four major categories:

1. Strategic Risks
 - i. Competition
 - ii. Change of Tax Structures & Government Policy
 - iii. Customers Demand

2. Operational Risks
 - i. Obsolescence of Technology Risk
 - ii. Quality
 - iii. Intellectual Property Rights Risk

3. Financial Risks
 - i. Foreign Exchange Risk
 - ii. Interest Rate Risks
 - iii. Customers Outstanding Risks

4. Compliance & Legal Risks
 - i. Contractual Risks
 - ii. Legal & regulatory Risks

Risk Management procedure:

- A. Risk Identification & Assessment
- B. Risk Reporting & Communication
- C. Steps for Minimization of risks

A. Risk Identification & Assessment:

Risk Identification sets out to identify an organization's exposure to uncertainty. The basic idea to understand the organization as a whole and to know the areas in which the probability of achieving the target is getting reduced. In this process, the management tries to identify those events which may lead to create a negative effect on the activities of the organization. After identification of potential risks, the process of risk assessment starts.

Risk Assessment involves the quantification of risk to determine the impact of risk on the potential activity in which such risk is involved. The impact of the risk is to be assessed on the five point scale. There can be many measurements on the risk scale. E.g. the impact of risk can be high which denotes No. 5 and it can be low which denotes no. 1.

B. Risk Reporting & Communication:

After the Risk has been assessed, it should be reported to the Board of Directors, Business Units and concerned employees of the Organisation.

- I. The Board of Directors should know:
 - About the most significant risks facing the Organisation.
 - The effects of such risks on the shareholder value
 - Frequency of the occurrence of a particular risk.
 - Appropriate level of awareness about the risks in the Organisation.

- II The Business Units should know:
 - About the risks which fall into their area of responsibility, the possible impacts of which may have on other areas and consequences other areas may have on them.
 - The systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken.

- III. The Concerned employees should:
 - Understand their accountability for the individual risks.
 - Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

C. Minimization of risks:

There are two ways to minimize the risks in the organization which are as under:

1. **Accepting the Risk:** to accept the risk and insuring the risks or making contingency plans to deal with the risk.

2. **Transfer of Risk:** to transfer the risk to other party e.g. in case of import of machinery, the risk of damage of machinery in the course of transit may be in the account of the seller.

3. **Avoidance of Risk:** to avoid performing certain activities that would carry risk, but avoiding risk also means losing out on potential gain that accepting the risk might have allowed.

4. **Reduction of Risk:** Employing methods/solutions that reduce the severity of loss.

AMENDMENTS: This policy may be amended subject to the approval of Board of Directors, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

DISCLAIMER CLAUSE: The Management cautions that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Shareholders are therefore requested to exercise their own judgment in assessing various risks associated with the Company.