

PANACHE DIGILIFE LIMITED

RISK MANAGEMENT POLICY

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I. SCOPE

This policy establishes the philosophy of **Panache Digilife Limited** (hereinafter referred to as the “**Company**”) towards identification of risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control, prioritize and formulate plans to mitigate the identified risks. This policy is applicable to all the functions and departments of the Company and shall be under the authority of the Board of Directors of the Company.

II. OBJECTIVE

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 Company’s business. This policy intends to create and protect shareholder value by minimizing threats or losses, and identify and maximizing opportunities and assisting in decision making processes, thereby helping the Company to achieve its objectives.

III. LEGAL/REGULATORY FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organization.

SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015

1. Key function of the Board:

Reviewing and guiding risk policy and ensuring the integrity of the company’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

2. Company’s Role:

(a) The Company shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.

(b) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

3. Role of Audit Committee includes:

Evaluation of internal financial controls and risk management systems.

Companies Act, 2013

1. The provisions of Section 134 (3) (n) of the Companies Act, 2013 necessitate that the Board’s Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risks, if any, which in the opinion of the Board may threaten the existence of the Company.

2. Further the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of references specified in writing by the Board which shall inter alia include evaluation of risk management systems.
3. Further the provisions of Section 149(8) read with Schedule IV (Code of Independent Directors) of the Companies Act, 2013 includes the following:

The Independent directors shall:

- help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct;
- satisfy themselves on the integrity of financial information and that financial control and **the systems of risk management** are robust and defensible;

Panache Digilife Limited being a listed company is required to adhere to the regulations made both by the Companies Act, 2013 and SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015. Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

IV. PURPOSE OF THE POLICY

The main objective of this Policy are:

To Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and to combat against the adverse effects, which the business and operations of the Company are exposed to.

To established a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

To establish a framework for the Company's risk management process and to ensure its implementation.

To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

To assure business growth with financial stability.

V. APPLICABILITY

This Policy applies to all areas of the Company's operations.

VI. RISK CATEGORIES

The following broad categories of risks have been considered in our risk management framework (The list is illustrative and not necessarily an exhaustive classification.)

Strategy: Risks emanating out of the choices we make on markets, resources and delivery model that can potentially impact our long-term competitive advantage.

Industry: Risks relating to inherent characteristics of our industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure.

Counterparty: Risks arising from our association with entities for conducting business. These include clients, vendors, alliance partners and their respective industries.

Resources: Risks arising from inappropriate sourcing or sub-optimal utilization of key organizational resources such as talent, capital and infrastructure.

Operations: Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, physical security and business activity disruptions.

Regulations and Compliance: Risks due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigation and loss of reputation.

Environment: Non-compliances to environmental regulations, risk of health to people at large.

Foreign Exchange Risk: While most of the Company's currency exposure is only on the open credit transaction of the purchase leg which in the overall context is quite limited. It also has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments.

Technology Obsolescence: The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

Inflation and Cost structure: Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer timeframe, as much higher risks for inflation and resultant increase in costs.

VII. KEY RISK MANAGEMENT PRACTICES

The key risk management practices include those relating to risk assessment, measurement, mitigation, monitoring, reporting and integration with strategy and business planning.

Risk identification and assessment:

Periodic assessment to identify significant risks for the Company and prioritizing the risks for action. Mechanisms for identification and prioritization of risks include risk survey, business risk

environment scanning and focused discussions. Risk survey of executives across units, functions and subsidiaries is conducted before the annual strategy exercise. Risk register and internal audit findings also provide pointers for risk identification.

Risk measurement, mitigation and monitoring:

For top risks, dashboards are created that track external and internal indicators relevant for risks, so as to indicate the risk level. The trend line assessment of top risks, analysis of exposure and potential impact are carried out. Mitigation plans are finalized, owners are identified and progress of mitigation actions are monitored and reviewed.

Risk Reporting:

Top risks report outlining the risk level, trend line, exposure, potential impact and status of mitigation actions is discussed on a periodic basis. In addition, risk update is provided to the Board. Entity level risks such as project risks, account level risks are reported to and discussed at appropriate levels of the organization.

Integration with strategy and business planning:

Identified risks are used as one of the key inputs for the development of strategy and business plan.

VIII. RESPONSIBILITY FOR RISK MANAGEMENT

Generally, every staff member of the Organization is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

IX. COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and to assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

X. OVERVIEW OF RISK ENVIRONMENT AND KEY RISK MANAGEMENT ACTIVITIES

Our continued emphasis on credit risk management through periodic credit quality assessments and focused collection mechanisms resulted in further improvement of credit risk indicators. Our active management of currency risks minimized the impact in a volatile currency market. We further strengthened operational risk mitigation mechanisms in areas including physical security, service delivery, information security and contracts management. Our periodic assessment and monitoring of business risk and regulatory environment resulted in deployment of appropriate mitigation measures.

XI. REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

XII. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.

XIII. 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. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.