	HELA APPAREL HOLDINGS PLC		
	POLICY ON RISK MANAGEMENT & INTERNAL CONTROLS	Version No: 01	Issue Date December 30, 2024
Approved by Board of Directors on 18th December 2024			

1. OBJECTIVE

This policy aims to create a structured approach for risk management and internal control to safeguard Hela Apparel Holdings PLC's assets, improve operational resilience, and build stakeholder confidence. The main objectives are to:

a) Safeguard Assets: Protect financial, human, and intellectual capital by identifying and mitigating potential threats.

b) Ensure Regulatory Compliance: Comply with applicable laws, regulations, and internal policies to prevent penalties, fines, or reputational damage.

c) Strengthening Decision-Making: Support executive decision-making by providing timely, relevant information on risks.

d) Support Strategic Objectives: Align risk management practices with strategic objectives to enhance the organization's competitive position.

2. PURPOSE

This policy applies across all regions and business units of Hela Apparel Holdings PLC ("Hela"), encompassing operations in Sri Lanka, Kenya, Egypt, and the UK. It involves all departments, business functions, and personnel, including senior management, the Board of Directors, and employees, to ensure a unified approach to risk management and internal control.

3. RISK STRATEGY

Risk management is aligned with organizational strategy through the following pillars:

3.1 Fostering a Culture of Risk Awareness - Integrating risk management into our core values ensures that all employees understand and take ownership of risk. This creates a sustainable business environment capable of thriving amidst uncertainty and change.

3.2 Adopting an Integrated Risk Management Framework - The risk management framework, encompassing identification, analysis, evaluation, treatment, and monitoring, is seamlessly integrated into the business operations, ensuring no gaps in the risk management processes.

3.3 Stakeholder Management - Continuous stakeholder engagement and robust communication channels fosters transparency, ensuring shared understanding and collaboration.

3.4 Capacity Building - Providing tailored training programmes across different organisational levels to empower employees to proactively identify, assess, and respond to risks, fostering a culture of accountability and resilience.

3.5 Adaptability and Continuous Improvement - Regularly reviewing and refining our risk management practices, to ensure they are aligned with evolving market dynamics and stakeholder expectations.

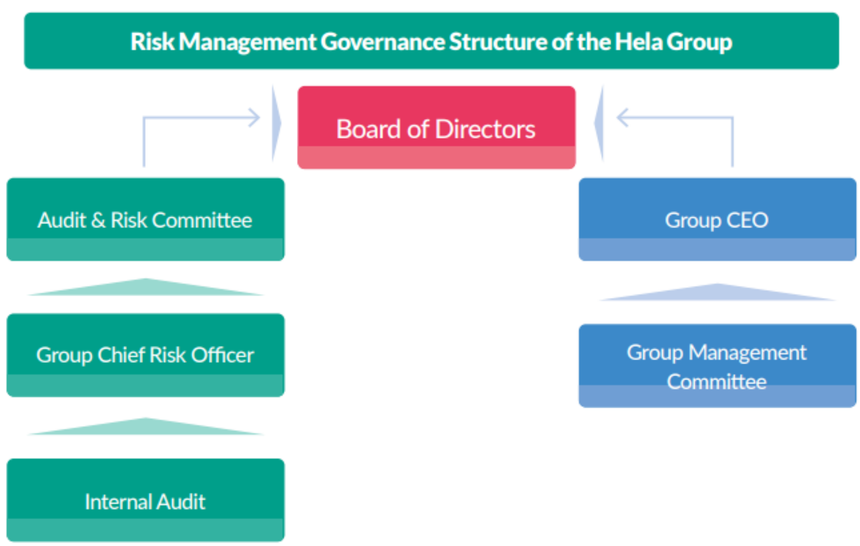
3.6 Continuous Auditing of Risk Management Process - Ongoing evaluation through regular reviews, audits, and updates to our risk management practices.

4. RISK CULTURE

A robust risk culture is integral to Hela Apparel Holdings PLC's operations, encouraging all employees to approach their roles with risk awareness and accountability. This culture is built on open communication, where individuals feel empowered to report risks and contribute to mitigation efforts without hesitation. By embedding risk considerations into everyday decision-making and providing training, Hela fosters a proactive approach that aligns with strategic objectives, ensuring risks are managed at every level. Leadership champions this culture by setting the tone from the top, reinforcing that risk management is not only a compliance measure but also a key driver of sustainable growth and resilience.

5. RISK MANAGEMENT STRUCTURE

To implement effective risk oversight, the following structures are established:



6. RISK CLASSIFICATION

Risk classification helps prioritize risks and allocate resources effectively. The following risk categories are identified:

a) Strategic Risks - Strategic risks arise from potential misalignment between Hela's long-term objectives and evolving market dynamics. These risks may include changes in consumer preferences, shifts in the competitive landscape, and the risk of over-dependence on key customers, which could impact revenue stability and market position. Effective management of strategic risks involves continuously monitoring market trends, diversifying the customer base, and ensuring agility in adapting to industry shifts.

b) Customer Risks - Recognising Customer Risk as a key factor, considering B2B, B2B2C, and B2C market types, along with consumer taste shifts, competition, and changing preferences. The Company acknowledges the impact of these factors on product demand and actively seeks to be agile and responsive to market trends to maintain its competitive edge.

c) Financial Risks - The Company faces financial risks including currency fluctuations, credit risks, and liquidity management challenges. Currency fluctuations can impact financial results, especially in international markets. Credit risk is carefully managed to minimise potential financial losses from counterparty defaults. Ensuring adequate liquidity is vital for operational continuity and financial flexibility.

d) Compliance Risks - Upholding compliance with regulatory requirements and ethical standards in a key focus for the Company. This includes navigating complex local and international regulations across all operations. Rigorous compliance protocols mitigate legal and reputational risks while building trust with stakeholders.

e) Operational Risks - Addressing operational risks including supply chain disruptions, production inefficiencies, and workforce-related issues. The Company focuses on mitigating supply chain challenges through efficient sourcing, addressing production inefficiencies through process improvements and technology, and proactively managing workforce risks to maintain operational capabilities and innovation.

f) Geopolitical Risks - Geopolitical risks, including political instability and economic conditions in operating and sourcing regions. Geopolitical shifts, including trade policy changes, tariffs, or civil unrest, can impact supply chains and operational costs. The Company monitors geopolitical developments and implements contingency plans to minimise potential disruptions.

g) Technological Risks - Recognising both the opportunities and risks associated with rapid technological advancements. Cybersecurity threats are a key concern, requiring robust measures to protect digital infrastructure. Adopting modern technologies requires careful planning to ensure seamless integration and minimise operational disruptions.

h) Environmental Risks - Prioritising environmental sustainability and addressing climate change impacts, such as extreme weather events and carbon emission regulations, to ensure operational and supply chain resilience. Sustainable practices throughout the Hela Group's operations mitigate environmental risks, align with regulatory expectations, and enhance the Company's brand reputation.

7. ROLES AND RESPONSIBILITIES

7.1. Board of Directors

a) Set Risk Appetite: Establish the company's overall risk appetite and tolerance levels in line with strategic goals, ensuring they are understood and communicated across the organization.

b) Approve the Enterprise Risk Management (ERM) Framework: Endorse the ERM policy and framework, ensuring they are aligned with the company's objectives and business environment.

c) Oversee Risk Oversight: Regularly review the risk management processes to confirm they are effective and consistent with the organization's needs.

d) Evaluate Risk Adjustments: Respond to shifts in business strategy, economic conditions, and regulatory requirements by revisiting and adjusting risk strategies, as necessary.

e) Ensure Accountability: Monitor that adequate resources are allocated for risk management activities and that appropriate accountability is maintained at all management levels.

7.2. Audit & Risk Committee

a) Review and Monitor Controls: Evaluate the effectiveness of internal controls, ensuring they are appropriate for identifying and managing key risks.

b) Oversee Risk Reporting: Regularly review reports on risk exposures, management responses, and the adequacy of mitigation measures.

c) Assess Compliance and Integrity: Ensure the company's compliance with regulatory requirements and ethical standards, reporting issues to the board as needed.

d) Monitor External Audits: Engage with external auditors to ensure a comprehensive understanding of risks, controls, and any recommendations for improvement.

e) Evaluate the ERM Framework: Conduct an independent assessment of the ERM framework's effectiveness, recommending adjustments as needed.

7.3. Executive Management

a) Embed Risk Management: Integrate risk management practices into daily operations, strategic planning, and decision-making.

b) Identify and Mitigate Risks: Proactively identify, assess, and implement mitigation plans for risks across business units.

c) Allocate Resources: Ensure that sufficient resources, including personnel and technology, are available for effective risk management.

d) Report to the Audit & Risk Committee: Provide regular updates to the Audit & Risk Committee on emerging risks, control weaknesses, and mitigation actions.

e) Promote a Risk-Aware Culture: Lead by example in fostering a culture of risk awareness and accountability throughout the organization.

7.4. Business Unit Heads

a) Implement Risk Management Practices: Ensure that risk policies and controls are implemented and adhered to within each business unit.

b) Perform Risk Assessments: Regularly identify and assess risks specific to their areas, working with the ERM team to address any gaps.

c) Report Risks: Communicate significant risks, control weaknesses, and mitigation actions to executive management and the ERM team.

7.5 All Employees

a) Adhere to Risk Policies: Follow established risk management policies and report any breaches or irregularities.

b) Participate in Training: Engage in training sessions to understand the importance of risk management and internal controls.

c) Report Observed Risks: Actively report any observed risks or potential issues to supervisors or relevant committees, fostering an initiative-taking risk culture.

8. RISK MANAGEMENT PROCESS

The Company's risk management process is a systematic approach designed to identify, analyze, evaluate, treat, monitor, and communicate risks. This process supports organizational objectives by effectively managing risks. The key components are:

8.1 Communication and Consultation: Engaging stakeholders to share relevant information, understand the context, and foster collaboration and collective decision-making.

8.2 Scope, Context, Criteria: Defining the boundaries and framework for risk assessment, including understanding the environment, setting assessment criteria, and determining the scope of activities.

8.3 Risk Assessment:

a) Risk Identification: Recognizing and documenting potential risks.

b) Risk Analysis: Understanding nature, causes, and consequences of risks to determine their likelihood and impact.

c) Risk Evaluation: Comparing analysis results of the risk analysis with the set assessment criteria to prioritize risks based on their significance.

d) Risk Treatment: Identifying and implementing strategies to mitigate, transfer, accept, or avoid risks, balancing costs, and benefits.

e) Monitoring and Reviewing: Continuously tracking risks, implementing treatment plans, and reviewing the process for adjustments and improvements.

f) Recording and Reporting: Documenting and reporting activities, decisions, and outcomes to ensure transparency and accountability, keeping stakeholders informed.

9. RISK MANAGEMENT PROCESS

This policy is subject to an annual review to assess its effectiveness and make any necessary adjustments. Changes in business operations, regulatory requirements, or strategic priorities may necessitate updates outside the annual review cycle.