METRO BRANDS LIMITED

RISK MANAGEMENT POLICY[1]

[1] Adopted in Board meeting dated 4th March, 2015 and further amended vide resolution passed in Board meeting dated 7th March, 2022 & 15th March 2024

METRO BRANDS LTD.

RISK MANAGEMENT POLICY

1. INTRODUCTION

ISO 31000 defines the term “Risk” as effect of uncertainty on objectives. An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats. Objectives can have different aspects and categories and can be applied at different levels. Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood.

In Insurance parlance, risk is likely consequential losses or damages. Risk means there is possibility of loss or damage. This damage may or may not happen.

Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization’s business objectives. The exposure to the consequences of uncertainty constitutes a risk.

Risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce the risk.

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation’s strategic and financial goals.

2. MANDATORY REQUIREMENT

As per Section 177 (4) (vii) of the Companies Act 2013, every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall include evaluation of internal financial controls and risk management systems.

Section 134(5)(f) of the Companies Act, 2013 states that that along with other statements, the Company shall attach a report by its Board of Directors which shall include a Director Responsibility Statement stating, *inter alia*, that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the corporate sector in India and has therefore, introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance Voluntary Guidelines, 2009.

The Listing Agreement requires the listed Companies to lay down procedures for risk assessment and procedures for risk minimization.

The Risk Management Policy has been framed for the benefit of the Company’s all stakeholders to minimize the risk of loss. The Company is committed to protect its stakeholders from various kinds of risks involved relating to investments in the Company. This Policy should be seen as a measure towards risk containment and not as an insurance against losses.

3. OBJECTIVE

The objective of this Policy is to provide appropriate roadmap and formulate the procedure and criteria for the Company to carry out risk management activities of the Company in an organized and transparent manner while recognizing the interest of all its stakeholders and thereby, strengthening the systems of the Company and making it a better risk managed Company.

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 the risks associated with the business. In order to achieve the key objective, the Policy establishes a structured and disciplined approach to risk management in order to guide decision on risk related issues.

Following other objects will also be achieved as under.

- Better compliance of laws,
- Real time status of legal/statutory compliance,
- Safety valve against unintended non-compliance/prosecutions etc.,
- Cost savings by avoiding penalties/fines and minimizing litigations,
- Better Corporate image and positioning in the market,
- Enhanced credibility/ creditworthiness that only law-abiding company can command,
- Recognition as Good Corporate Citizen,
- Self-Discipline and avoidance of last-minute rush to comply the provisions which may result into partial or inaccurate compliance,
- Compliance with Code of Ethics and Professional Conduct

4. APPLICABILITY

The Company is in retail trading activity as under:

- Procurement of the following goods from various suppliers all over India as well as from foreign countries at central warehouses of the Company-
  - Footwear
  - Bags
  - Accessories
- Quality Check
- Branding and Packing
- Dispatch for sale to the Company's exclusive showrooms all over India.

The major areas of the Company's operations are as under:

- Showrooms (Business units) all over India
- Head Office at Mumbai
- Central warehouses at Bhiwandi and storage places at various locations

The Company continuously reviews its various systems and processes to make them more relevant to the changing needs of the business. The Company is ISO 9001-2015 certified which signifies that the Company has Quality Management Systems in place.

The Company also has an Internal Audit system which has been focusing on such reviews and corrective measures are taken for further improvement in systems and procedures. In addition, under the internal audit system critical processes are reviewed to ensure they are efficient, compliant to laws and are consistently followed by the concerned.

In view of the growing size and nature of the Company's business, the Company has decided to adopt a comprehensive Risk Management Policy.

This Policy shall apply to all risk management initiatives and activities taken up by the Company for all its products and services, for all the locations where the Company carries out its business operations, for all the areas of Company's operations and such other matters as the Company may deem fit.

5. STRUCTURE

Risk Management Committee ("RMC") is a Board nominated committee consisting of members of the Board of Directors including at least one Independent Director and Functional Heads. The senior executives of the Company may be the members of the RMC. The RMC shall meet atleast twice a year with not more than 180 days gap between the two meetings.

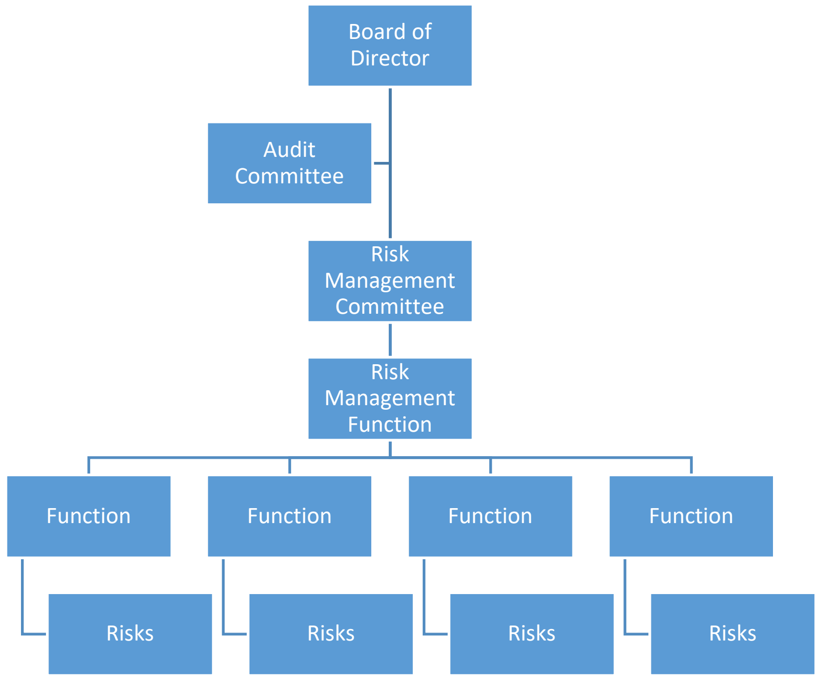
The Risk Management Committee, in consultation with the Board, shall be responsible for framing, implementing and monitoring the risk management plan for the Company.

The Risk Management Committee/ the Board shall define the roles and responsibilities of the designated Risk Coordinator and may delegate monitoring and reviewing of the risk management plan to the Risk Coordinator and such other functions as it may deem fit. The Company's CFO has been delegated the responsibility of Risk Coordinator.

The designated Risk Coordinator will be responsible for collating information from the Company's various Head of the Departments (Business Heads/HODs / Managers) for the new risks / events or changes in risk exposure on ongoing basis. The Business Heads/HODs /Managers are primarily responsible for identification, assessment, management of the risks as may be applicable to their respective areas of functioning and report to the Risk Coordinator / Risk Management Committee/ Board.

The Risk Management Committee and the Audit Committee shall review the implementation of the risk management programs periodically and issue necessary directions from time to time to ensure orderly and efficient execution of the risk management programs in accordance with this Policy.

Risk management structure diagram.



5.1. ROLE OF THE RISK MANAGEMENT COMMITTEE

The terms of reference of the Risk Management Committee of our Company include the following:

a. Formulating a detailed risk management policy for *inter alia* risk assessment and minimization procedures which will include:
   (i) A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly ESG related risks), information, cyber security risks or any other risks as may be determined by the committee;
   (ii) Measures for risk mitigation including systems and processes for internal control of identified risks;
   (iii) Business continuity plan;

b. Ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
c. Monitoring and overseeing implementation of the risk management policy, including evaluating the adequacy of risk management systems and cyber security;
d. Periodically reviewing the risk management policy, at least once in two years, considering the changing industry dynamics and evolving complexity;
e. Keeping the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
f. The appointment, removal and the terms of remuneration of the Risk Coordinator (if any) shall be subject to review by the Risk Management Committee;

g. To seek information from any employee, obtain external legal or other professional advice and secure attendance of outsiders with relevant expertise (if considered necessary); and
h. Performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended to by the Risk Management Committee.

The Independent Directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the system of risk management is robust and defensible.

5.2. Role of the Designated Risk Coordinator

Specifically, the Risk Coordinator shall be responsible for:

- Coordinating with the Business Heads/HODs / Managers for new risks identified or changes to the existing risks;
- Review on an ongoing basis, the list of key risks impacting the achievement of objectives identified for the year and report changes, if any, to the Risk Management Committee/Board;
- Reporting on key risks and key risk management measures regularly.
- Reporting identified risks.
- Adding and updating new risks.
- Reporting significant breakdowns in risk handling measures and actions to prevent their recurrence.

5.3. Role of the Business Heads/HODs / Managers

The Company's Business Heads/HODs / Managers working at its corporate office, showrooms (business units) and warehouses are the personnel who are best placed to identify and manage the risk / control or are best placed to report on the risk control. They are given the authority to manage a particular risk and will be accountable for doing so. On an ongoing basis, they shall monitor their areas for new risks / events or assess changes in risk exposure; as well as carry out periodic assessment of controls in line with the above.

Specifically, the Business Heads/HODs / Managers within the Business Units and Departments will be responsible for:

- Ongoing identification and evaluation of risks with the business and operations and collating the information.
- Reporting to the designated Risk Coordinator on key risks and key risk management measures regularly.
- Selecting and implementing risk management measures on a day to day basis.
- Reviewing the effectiveness, efficiency and suitability of the risk management process and addressing weaknesses and reporting the same.
- Maintaining efficient and cost-effective risk handling mechanisms or control framework in line with changes in the business

6. TYPES OF RISK

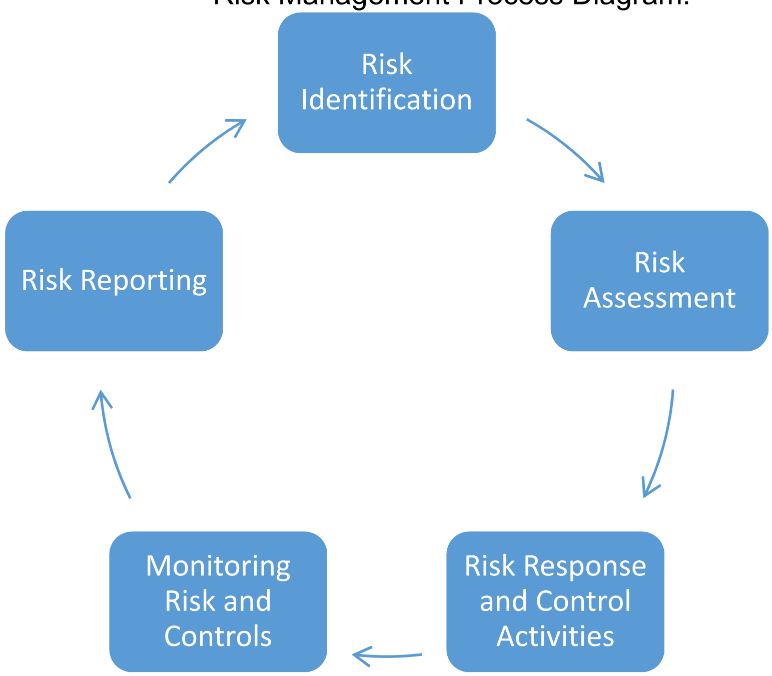
6.1. Strategic Risk: risk originating from business strategies.

6.2. Compliance (Legal and Regulatory) Risk: risk originating from compliance requirements as well as compliances operations.
6.3. Financial & Operational Risk: risk originating from operations.
6.3.1. Economical /Financial /Market Risk: risk originating from finance.
6.3.2. Organization /Management / Human Factors Risk: risk originating from Human resource operations.
6.3.3. Political Risk: risk originating from geo-political concerns.
6.3.4. Environmental Risk: risk originating from environmental concerns.

7. RISK MANAGEMENT PROCESS

The processes mentioned below are in the sequence followed, for performing risk management for the first time. However, the process should not be followed strictly in a serial process for risk management on an ongoing basis. Risk Management is a dynamic process and almost any component can and will influence another.

Risk Management Process Diagram:



7.1. Risk identification:

The risk management process starts with the systematic identification of key risks and their root causes. Only if such risks and root causes are recognized in a timely manner can they be successfully managed.

A pre-requisite for efficient risk identification and subsequent risk evaluation is a consistent and comprehensive understanding of business objectives and strategies. Based on these targets, potential opportunities and threats can be identified, which may lead to a deviation from objectives or plans.

Key risks impacting achievement of objectives will be reviewed on an ongoing basis as a part of the daily business activities by the HODs / Managers.

There could be other risks or root causes which will emanate because of changes in the internal or external environment due to uncertainties and increase in vulnerability within which the Company operates. These risks and root causes are to be identified by the HODs / Managers during the normal course of business and assessed using the business impacts and the likelihood parameters that have been defined.

The new events / incidents post assessment should be reported periodically to the designated Risk Coordinator.

7.2. Risk Assessment

Once risks are identified, they are evaluated or assessed, i.e., the impact of the risk is quantified (wherever possible) to determine its potential effect on the profit and its likelihood of occurrence. The key objective is to measure the relative importance of risks, which enables prioritization and focus on important risks. Key risks impacting achievement of objectives for the respective financial year will be assessed for impact and likelihood.

Each risk will be assessed for impact (materiality of the risk if it occurs) and likelihood (at an agreed level of impact, the likelihood of the event taking place). These two parameters determine the importance of risk to the organization. Based on the impact and likelihood, the risk exposure is categorized into four categories – very high, high, medium and low.

7.3. Developing Risk Response and Assessing Control Activities

The third stage of the risk management process is risk handling. Management selects a series of actions to align risks with the Company's risk appetite to reduce the potential financial impact of the risk should it occur and / or to reduce the expected frequency of its occurrence. Possible responses to risk include avoiding, accepting, reducing or sharing the risks as explained below:

- **Risk Avoidance**: Withdrawal from activities where additional risk handling is not cost effective and the returns are unattractive in relation to the risks faced (e.g., refuse orders, withdraw from any projects).

- **Risk Acceptance**: Acceptance of risk where additional risk handling is not cost effective, but the potential returns are attractive in relation to the risks faced.

- **Risk Reduction**: Activities and measures designed to reduce the likelihood of risk crystallizing and / or minimize the severity of its impact should it crystallize (e.g. hedging, loss prevention, crisis management, business continuity planning, quality management).

- **Risk Sharing**: Activities and measures designed to transfer to a third-party responsibility for managing risk and / or liability for the financial consequence of risk should it crystallize.

In accordance with the defined roles and responsibilities, the Business Heads/HODs / Managers will be responsible for implementing sufficient risk handling to manage risks at an acceptable level. If necessary, guidance on the development and implementation of risk handling measures may be attained from the designated Risk Coordinator or Board.

Where there is either insufficient or excessive risk handling, it is the responsibility of Business Heads/HODs / Managers to develop action plans to rectify the situation and ensure their timely completion. Action plans will be prioritized according to the risk content.

The cost of implementing additional risk handling needs to be recognized and wherever possible, alternative options will be evaluated to find the most cost-effective option to handle risks. In circumstances where action plans have a long implementation timeframe, consideration will be given to interim options.

7.4. Monitoring Risks and Controls

There need to be adequate controls and ongoing monitoring mechanisms to enable timely notification of fundamental changes in risks or their handling measures. Since the internal and external environment within which the Company operates is exposed to change continuously, the risk management process must remain sufficiently flexible to accommodate new situations as they arise. Risk responses that were once effective may become irrelevant; control activities may become less effective, or no longer be performed; or entity objectives may change. In the face of such changes, management needs to determine whether the functioning of the risk management framework continues to be effective.

Monitoring in the Company will be done in following ways:

- Internal Auditor or an external service provider will evaluate the relevance and effectiveness of the risk management framework at least once in two years.
- Ongoing monitoring by the Business Heads/HODs / Managers and designated Risk Coordinator
- Business Heads/HODs / Managers from Business Units are responsible for monitoring the relevance of key risks and effectiveness of their counter measures. They are also responsible for the development and implementation of risk management action plans.
- The designated Risk Coordinator is responsible for monitoring adherence to the risk policy and guidelines and reviewing the overall risk management system in light of changes in external and internal environment within which the Company operates.

7.5. Risk Reporting

Periodic reporting on risks is required to determine whether the impact or likelihood of the risk is increasing or decreasing and to ensure continuing alignment of organizational resources to priorities. The reporting of key risks and risk handling measures is necessary to:

- Improve the quality of and support timely decision making;
- Determine priorities for action and improvement;
- Enable Senior Management to satisfy themselves that the key risks are being identified and managed to an acceptable level.

Details of risk profile facing various Business units / Departments will be and periodically reported by the Business Heads/ HODs / Managers to the designated Risk Coordinator along with the details of risk mitigation measures, etc. The designated Risk coordinator will in turn report to the Risk Management Committee/Board for guidance.

Risk reporting comprises the following elements:

- Business unit / Department specific description of key risks and opportunities;

- Risk Rating or evaluation (after handling measures) of risk regarding expected likelihood and impact on 'Profit' or other key Company objectives as assessable.

- Statement of changes (including materialized risks) or including of risks compared to the last risk reporting of the Business unit / department.

8. REPORTING / DISCLOSURE

Appropriate documentation of the Company's Risk Management Policy, risk management activities, etc. will be reported in the Annual Report of the Company.

9. OVERALL

In case of any doubt with regard to any provision of the Policy and also in respect of matters not covered herein, a reference should be made to the Risk Management Committee/Board of Directors of the Company. In all such matters, the interpretation and decision of the Board of Directors shall be final.

All provisions of this Risk Management Policy shall be subject to revision/ amendment in accordance with Companies Act, 2013 read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Listing Agreement and Guidelines on the subject as may be issued by the Government of India, from time to time.

In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Listing Agreement and Guidelines or any other statutory enactments, rules, etc., the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Agreement, Act and/or applicable laws in this regard shall automatically apply to this Policy.

The Company reserves the right to modify, cancel, add, or amend this Policy in order to adopt the best practices in the industry and in the interest of the stakeholders of the Company.