



Quality Par Excellence

RISK MANAGEMENT POLICY

RELAXO FOOTWEARS LIMITED

AGGARWAL CITY SQUARE, PLOT NO -10, MANGLAM PLACE, DISTRICT CENTRE, SECTOR-3 ROHINI, DELHI -110085

1. Background

This document lays down the framework of Risk Management at Relaxo Footwears Limited (hereinafter referred to as the 'Company' or 'RFL') and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. Objective

The objective of Risk Management at Relaxo Footwears Limited is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

3. Strategic Objectives

- i) Providing a framework that enables future activities to take place in a consistent and controlled manner
- ii) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats
- iii) Contributing towards more efficient use/ allocation of the resources within the organization
- iv) Protecting and enhancing assets and company image
- v) Reducing volatility in various areas of the business
- vi) Check deviations and take corrective actions.

4. Regulatory

Risk Management Policy is framed as per the following regulatory requirements :

A) Companies Act, 2013

i) Provisions of Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

- (n) a statement indicating development and implementation of a **risk management policy** for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

ii) Section 177(4) stipulates:

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include, —

(vii) evaluation of internal financial controls and **risk management** systems.

iii) Code for Independent Directors -Schedule IV [Section 149(8)]

Role and functions (Part II of the Code for Independent Directors)

The independent directors shall:

(1) 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; &

(4) satisfy themselves on the integrity of financial information and that financial controls and the systems of **risk management** are robust and defensible;

B) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

i) Schedule II: Corporate Governance

Part C: Role of the Audit Committee and Review of Information by Audit Committee

A (11): Evaluation of Internal Financial Controls and **Risk Management** System

ii) Regulation 4 (2) (f) (ii) (1) Chapter II

Key functions of the board of directors- (1) Reviewing and guiding corporate strategy, major plans of action, **risk policy**, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.

iii) Regulation 17 (9) (a) & (b) Chapter II

(a) The listed entity 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.

5. Applicability

This policy shall come into force from the date approved by the Board of Directors.

6. Definitions

"**Board of Directors**" or "**Board**" in relation to a Company, means the collective Body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

"**Policy**" means Risk Management Policy.

7. Policy

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan for having systems in place for risk management as part of internal controls and Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Audit Committee's role is evaluation of Internal Financial Controls (IFC) and the Risk Management Systems.

This policy shall complement the other policies of Relaxo in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

8. Broad Principles

The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others. Effective communication of Risk Management Strategy at various levels of management is essential for implementation.

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Chief Financial Officer (CFO) along with their considered views and recommendations for risk mitigation.

Analysis of all the risks identified shall be carried out by CFO through participation of the vertical/functional heads and a preliminary report finalized shall be placed before the Audit Committee.

The following steps to be taken:

Risk identification: To identify organization's exposure to uncertainty. Risk may be classified in the following:

- i. Strategic
- ii. Operational
- iii. Financial
- iv. Environmental
- v. Others

Risk Description: To display the identified risk in a structured format

Name of Risk	Based on nature of Risk
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Environmental, Other
Quantification of Risk	Significance and Probability
Risk Tolerance/ Appetite	Loss Potential and Financial Impact of Risk
Risk Treatment and Control Mechanism	a) Primary Means b) Monitoring and Review c) Identifying various action plans
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function Responsible to develop Strategy and Policy

9. Risk Evaluation

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

10. Risk Estimation

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

11. Reporting

- i) Internal Reporting
 - a) Audit Committee
 - b) Board of Directors
 - c) Vertical Heads
 - d) Individuals

- ii) External Reporting

To communicate to the stakeholders on regular basis as part of Corporate Governance

12. Development of Action Plan

Based on the probability of occurrence and amount of risk, action plan will be framed by the concerned vertical head. Action plan will be shared with the CFO and its monitoring should be done on regular basis till the time the risk is controlled. Nature of Risk, its probability and action plan to mitigate the risk to be reported to the audit committee and Board.

13. Guidelines to deal with the Risk

Business Plan including Capital Expenditure and Cash Flow Statement for each segment together with data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. A comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

14. Risk Treatment

Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

- a) Effective and efficient operations
- b) Effective Internal Controls
- c) Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

15. Risk Registers

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Competent persons to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Audit Committee, and the Board.

The Board / Audit Committee shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Management with Board/Audit Committee.

16. Role of Audit Committee

The following shall serve as the Role and Responsibility of the Audit Committee authorized to evaluate the effectiveness of the Risk Management Framework:

- Review of the strategy for implementing risk management policy
- To examine the organization structure relating to Risk management
- Evaluate the efficacy of Risk Management Systems – Recording and Reporting
- To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines
- To define internal control measures to facilitate a smooth functioning of the risk management systems

17. Integration of Risk Management Strategy

Relaxo's risk management strategy is to be integrated with the overall business strategies of the organization to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

18. Review

This policy shall be reviewed by the Management, Audit Committee and the Board from time to time as may be necessary.
