SPENCER’S RETAIL LIMITED

RISK MANAGEMENT POLICY

A. INTRODUCTION & LEGAL 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 organisation. The Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 has also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The Securities Exchange Board of India ("SEBI") on May 5, 2021 amended Regulation 21 in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top one thousand listed Companies (based on market capitalization of every financial year) to formulate and disclose a Risk Management Policy.

The Company being one of the top one thousand listed companies as per the market capitalization as on the last day of the immediately preceding financial year, frames this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy".

The Company recognises its responsibility to manage risk in an effective and efficient manner as a fundamental component of business operations. The Company is committed to identifying and analysing risks associated with activities and operations with the objective of maintaining a safe workplace, minimising losses and maximising opportunities, developing appropriate risk treatment options, and informed decision-making.

Risks can be threats or opportunities and a failure to manage them is a significant danger to the Company's survival and growth. The purpose of this policy is also to communicate the Company's common and systematic approach to managing risk.

B. POTENTIAL BENEFITS

Potential benefits likely to flow from risk management are – (a) fewer shocks and unwelcome surprises, (b) enhances communication, (c) promotes efficiency, (d) enables quicker grasp of new opportunities, and (f) supports more effective use of resources. It is recognized that it takes real time disasters to appreciate the benefits of a structured risk management system put in place moving well beyond a mere compliance-oriented approach.

C. OBJECTIVES

The objectives of undertaking the risk management exercise will be to

- ✓ make a comprehensive review of the Company's significant activities in order to define the risks flowing from such activities,

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- ✓ prioritize not more than ten risks for focused approach thereon,
- ✓ embed a risk management culture across the Company,
- ✓ revise risk management policies appropriately from time to time, and
- ✓ keep the Board of Directors / Shareholders appropriately informed of the risk management initiatives and status thereof.

D. <u>GOVERNANCE FRAMEWORK</u>

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

4.1 Regulation 4 of the Listing Regulation:

- Regulation 4 (2) (ii) Key Functions of the Board

  The Board should fulfill certain key functions, including:

  - ✓ 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.

  - ✓ Ensuring the integrity of the listed entity'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.

- Regulation 17 - Board of Directors

  - ✓ The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

  - ✓ The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

- Regulation 18 - Role of Audit Committee (Part C of Schedule II)

  The role of the Audit Committee shall include the following:

  - ✓ Evaluation of internal financial controls and risk management systems;

- Regulation 21 - Role of Committees (Other than Audit Committee) (Part D of Schedule II)

  Risk Management Committee

  The role of the committee shall, inter alia, include the following:

  i. Approve and periodically review the risk management policies of the Corporation's operations;

  ii. Review significant reports from regulatory agencies relating to risk management and compliance issues, and management's responses.

  iii. Policies and procedures establishing risk management governance, risk management procedures, and risk control infrastructure for operations; and

  iv. Review and approve the Corporation's risk appetite statement on an annual basis; approve any material amendment to the risk appetite statement;

  v. Review and approve the Contingency Funding Plan contained in the Corporation's Liquidity Policy at least annually, and approve any material revisions to this plan prior to implementation;

  vi. Review significant risk exposures and the steps, including policies and procedures, that management has taken to identify, measure, monitor, control, limit and report such exposures, including, without limitation, credit, market, fiduciary, liquidity, reputational, operational, fraud, strategic, technology (data-security, information, business-continuity risk, etc.), and risks associated with incentive compensation plans;

  vii. Evaluate risk exposure and tolerance;

  viii. Review and evaluate the Corporation's practices with respect to risk assessment and risk management;

  ix. Review reports and significant findings of Risk and Compliance and the Internal Audit Department with respect to the risk management and compliance activities of the Corporation, together with management's responses and follow-up to these reports, and

  x. To evaluate various risks of the business and to draw out a risk management plan for the Company;

  xi. To take steps to identify and mitigate Information Technology and Cyber Security Risks that the Company is or may be exposed to, on a regular basis.

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xii. To monitor and review risk management and mitigation plan of the Company;

xiii. To inform board on the effectiveness of the risk management framework and process of risk management;

xiv. The appointment, removal and terms of remuneration of Chief Risk Officer (if any) shall be subject to review by the Committee.

xv. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors."

4.2 Companies Act, 2013:

- Provisions of the 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 —

  ✓ 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.

  Provisions of the Section 177(4) Terms of reference to Audit Committee shall include

  ✓ evaluation of Internal Financial Controls and Risk Management Systems.

  Schedule IV – Code of Independent Directors: Role and Functions:

  ✓ 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 controls and the systems of risk management are robust and defensible;

E. CONSTITUTION OF RISK MANAGEMENT COMMITTEE

Risk Management Committee shall be constituted by the Board, under the applicable Statutes, consisting of minimum three members with majority of them being members of the board of directors, including at least one independent director.

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The Composition of the Risk Management Committee of the Board is as follows:

Name	Category	Designation
Mr. Shashwat Goenka	Non-Executive Director	Chairman
Mr. Utsav Parekh	Independent Director	Member
Mr. Devendra Chawla	CEO & MD	Member
Mr. Rahul Nayak	Whole Time Director	Member

F. RISK MANAGEMENT APPROACH

Our risk management approach is composed primarily of three components:

1. Risk Governance
2. Risk Identification
3. Risk Assessment and Control

Risk Governance:

✓ The functional heads of the Company are responsible for managing risk on various parameters and ensure implementation of appropriate risk mitigation measures.

✓ The Risk Management Committee provides oversight and reviews the risk management policy from time to time.

Risk Identification:

External and internal risk factors that must be managed are identified in the context of business objectives.

Risk Assessment and Control:

This comprises the following:

1. Risk assessment and reporting
2. Risk control
3. Capability development

On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management. Examples of certain of these identified risks are as follows:

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- Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations
- Failure in implementing its current and future strategic plans
- Significant and rapid technological change
- Damage to its reputation
- Its products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
- Its risk management methods and insurance policies not being effective or adequate
- Fluctuations in trading activities
- Changes in interest rates
- Changes in government policies
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

G. RESPONSIBILITY, COMPLIANCE AND CONTROL

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. The Head of Departments and other Senior Management Persons in the Company at organizational levels under the guidance of the Board / Audit Committee are 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.

The Company has established a compliance management system in the organisation and the Company Secretary of the Company being the focal point will get the quarterly compliance reports from functional heads and place it before the Board for its perusal.

H. BUSINESS CONTINUITY PLAN (BCP)

The plan ensures that personnel and assets are protected and are able to function quickly in the event of a disaster. The BCP is generally conceived in advance and involves input from key stakeholders and personnel.

BCP involves defining any and all risks that can affect the company's operations, making it an important part of the organization's risk management strategy. Risks may include natural disasters—fire, flood, or weather-related events—and cyber-attacks. Once the risks are identified, the plan should also include:

✓ Determining how those risks will affect operations
✓ Implementing safeguards and procedures to mitigate the risks
✓ Testing procedures to ensure they work
✓ Reviewing the process to make sure that it is up to date

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I. DISCLOSURE

The Company shall make appropriate disclosures as required under the SEBI Regulations.

J. APPROVAL AND AMENDMENTS

The Policy was approved by the Board of the Company at its meeting held on June 15, 2021. Any amendment to the policy will be done with the approval of the Audit/Board of the Company. This Policy should be reviewed once in two years or earlier if required by a change in circumstances.

The Board shall have the discretion to deal with certain risks in the manner it may deem fit. Mitigation of such risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

Disciplinary action shall be initiated for any violation of this policy or the guidelines framed there under.

Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

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Footnote

This policy was approved by the Board of Directors on June 15, 2021 in suppression to the earlier Policy.

For Spencer's Retail Limited

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Rama Kant
Company Secretary
(FCS 4818)