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RISK MANAGEMENT POLICY

OF

**METROGlobal Limited**

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## RISK MANAGEMENT POLICY

### I. INTRODUCTION

Risks are events, situations or circumstances which may lead to adverse consequences on the Company's business. Effective risk management process is a key to sustained operations thereby protecting shareholder value, improving governance process, achieving strategic objectives and being well prepared for adverse situations or unforeseen circumstances, if they occur in the lifecycle of the business activities.

This Risk Management Policy has been framed and adopted by **METROGlobal Limited** (hereinafter referred to as "the Company") in compliance with provisions of Section 134(3)(n) and Section 177(4)(vii) of the Companies Act, 2013 ("the Act") along with Regulation 17 of SEBI (Listing Obligation Disclosure Requirement) Regulation 2015.

### II. OBJECTIVE

Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organization continuously manages various types of risks. Formal and systematic approaches to managing risks are now regarded as good management practice and are also called as Risk Management.

'**Risk Management**' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

The specific objectives of this Policy are:

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



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

d. To assure business growth with financial stability.

### **III. DEFINITIONS**

In this policy, unless repugnant to the meaning or context thereof, the following expressions shall have the meaning given to them as below:

**“Risk”** means the effect of uncertainty on objectives, i.e the chance of something happening that will have a positive or negative impact on objectives.

**“Risk Assessment”** means the systematic process of identifying and analyzing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

**“Risk Management”** means the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

**“Risk Management Process”** means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, and analyzing, evaluating, treating, monitoring and communicating risk.

### **IV. 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 organization. The Companies Act, 2013 have incorporated various provisions in relation to Risk Management policy, procedure and practice.

**Responsibility of the Board:** As per Section 134 (n) of the Act, the board of directors’ report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the Company.

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

**Responsibility of the Independent Directors:** As per Schedule IV [Part II-(4)] of the Act, Independent



directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

This document lays down the framework of Risk Management at **METROGlobal Limited** 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.

The process includes the prioritization of risks, selection of appropriate mitigation strategies and periodic reviews of the progress on the management of risks. The process also covers the proposed authority and responsibility structure and is meant to cover all the activities of the company.

#### **V. SCOPE OF RISK MANAGEMENT POLICY**

- To identify the risks the Company is exposed to due to the nature of business activity.
- To review the risk bearing capacity of the Company in light of its reserves, insurance coverage or other such financial structures.
- To decide the process of management of these risks through a variety of risk management tools.
- To establish process to monitor and control the risks as per the process.
- To create an efficient process for reporting the key parameters measuring the risks and the performance of the Risk Management Tools.
- To inform the Board members about the risk assessment and its minimization procedures.
- Reviewing and approving risk disclosure statements in any public documents and disclosures.
- Put in place appropriate structures to proactively monitor and manage the inherent risks in businesses with unique / relatively high risk profiles.
- Monitoring and reviewing of the risk management plan and such other functions as it may be delegated to it by the board.
- 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 assure business growth with financial stability.

**VI. RISK IDENTIFICATION:**

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 Managing Director (MD) along with their considered views and recommendations for risk mitigation.

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

To identify organization's exposure to uncertainty, risk may be classified in the following:

- ✓ Strategic
- ✓ Operational
- ✓ Financial
- ✓ Hazard

Risk Description: To display the identified risks in a structured format.

<b>Name of Risk</b>	
<b>Scope of Risk</b>	Qualitative description of events with size, type, number etc.
<b>Nature of Risk</b>	Strategic, Operational, Financial, Hazard
<b>Quantification of Risk</b>	Significance and Probability
<b>Risk Tolerance/ Appetite</b>	Loss Potential and Financial Impact of Risk
<b>Risk Treatment and Control Mechanism</b>	a) Primary Means b) Level of Confidence c) Monitoring and Review
<b>Potential Action for Improvement</b>	Recommendations to Reduce Risk
<b>Strategy and Policy Development</b>	Identification of Function Responsible to develop Strategy and Policy



**VII. RISK EVALUATION:**

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

**VIII. DEVELOPMENT OF ACTION PLAN:**

- The Audit Committee of the Company shall overview the functioning of Risk Management Plan monitor the implementation thereof, review the same and suggest changes required from time to time .The members of the Risk and Audit Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses the Company is engaged in or shall undertake in future.
- Audit Committee shall critically examine the report of MD and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.
- The Audit Committee shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

**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

- Effective and efficient operations
- Effective internal controls
- 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.

**IX. 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
- Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

**X. DISCLOSURE IN BOARD REPORT:**

Board of Directors 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.

**XI. IMPLEMENTATION:**

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

**XII. REVIEW:**

This policy shall evolve by review by the Risk and Audit Committee and the Board from time to time as may be necessary.

**XIII. AMENDMENTS:**

The Board reserves its rights to amend or modify this policy in whole or in part, at any time without assigning any reason whatsoever.

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