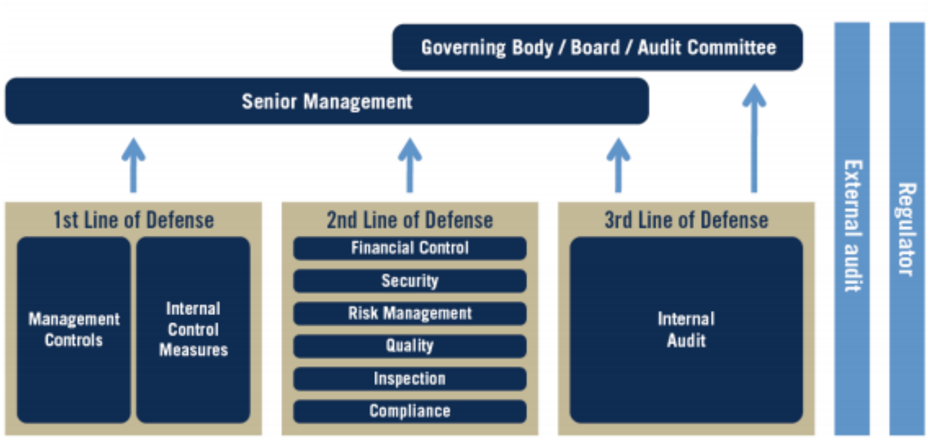
1. OBJECTIVE

This "Risk Management Policy", approved at a C&A Board of Directors meeting, sets out the principles, guidelines and responsibilities that must be observed in C&A's **Risk Management** (2nd line of defense) area procedures.

2. COMPANY´S COMMITMENT



Graphic taken from The IIA Position Paper The Three Lines of Defense in Effective Risk Management and Control *published in 2013, adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41*

C&A is committed to continuously developing and improving its risk management practices across its business, in order to monitor progress and ensure everybody involved is able to carry out their functions as part of that process. Our risk management structure is designed to provide a formal structure through which C&A:

- Proactively identifies potential risk scenarios;
- Take steps to reduce risk exposure within a predetermined risk appetite, as far as possible;
- Identify and obtain maximum benefit from any opportunities;
- Pursue corporate governance excellence, managing risk effectively as part of an ongoing process.

To achieve these results, C&A has adopted a risk management process based on recommendations from recognized corporate risk management standards, such as ISO 31000: 2009.

3. RISK MANAGEMENT STRCUTURE

When having a risk management process, the Company pursues:

- Improvement of results and eternity of the business;
- Greater transparency regarding the risks to which it is subject, as well as coping strategies;
- Upgrading of the maturity level for the risk management;
- Enable the Company's management to take more consistent business decisions;
- Spread its risk management culture on all levels of the Company; and
- Contribute to the excellence in business management.

The C&A risk management structure is intended to assess and monitor the risks C&A is exposed to, providing a mechanism that prioritizes risks and which can consequently direct efforts to mitigate their occurrence, and is segmented as follows:

1) **Board of Directors:** Responsible for governance in the local risk management process, ensuring that C&A is managed diligently and conscientiously in accordance with the following attributes and responsibilities:
   - Approving the risk management policy;
   - Defining appropriate risk thresholds, prioritizing risks and approving mitigation plans; and
   - Supervising and approving risk response plans, when necessary.

2) **Risk Management and Audit Committee:** responsible for: (i) assessing and monitoring C&A's exposure to risks that could affect its sustainability; (ii) supervising the Internal Audit area's activities; (Iii) evaluating the effectiveness of the C&A risk management model and suggesting solutions to the Board of Directors to improve internal risk management processes; (iv) recommend that the Board of Directors review or make changes, set priorities or include issues on the C&A risk matrix; (v) advise the Board of Directors during its assessment of policies, thresholds and action plans; and (vi) assess and wanted to compliance with and effectiveness of the risk management policy and submit recommendations for any amendments or improvements to the Board of Directors. The Risk Management and Audit Committee shall have operational autonomy and a separate budget, approved by the Board of Directors.

3) **Board of Officers**: responsible for assuring that the three line defense mechanism is applied to the risk management processes and organization control; accompany the risk management process, sponsoring it and monitoring the effective actions implementation.

4) **Risk Management Area:** responsible for: (i) guaranteeing constant vigilance of the C&A risk environment, reporting, as and when required, new risks to the Risk Management and Audit Committee; (ii) anticipating and planning for possible failures, as well as maintaining a practical and relevant safety margin; (iii) encouraging the C&A leadership to develop a risk management culture; (iv) reporting risk management activities to the Risk Management and Audit Committee; (v) taking decisions based on the results of risk management reports, providing specific responses to new risks and amending risk management plans; (vi) making ongoing improvements to the risk management process; and (vii) supervising any risk training and awareness programs that may be required.

5) **Internal Audit Area:** responsible for providing the Board of Directors, the Risk Management and Audit Committee and the Risk Management area with independent, unbiased and timely assessments, consolidating, evaluating, monitoring and communicating C&A's risks and the quality/effectiveness of its governance processes.

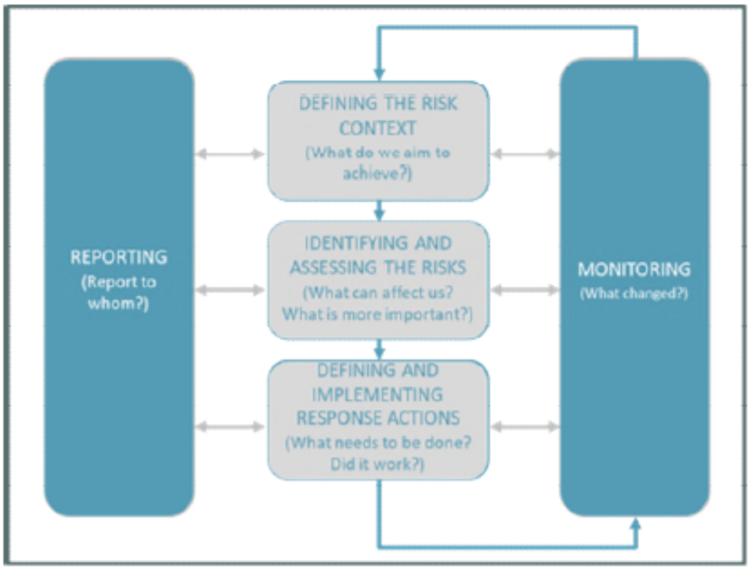
6) **Independent Auditors:** responsible, when specifically hired as so, for monitoring the quality and effectiveness of risk management processes.

7) **Business Areas:** responsible for following the risk management process, by identifying, controlling and mitigating risks, and by implementing processes and internal controls that treat the risks to which the Company is exposed.

Additionally, it is important to note that all C&A Associates are considered to be responsible for managing risks and must immediately report any risks they identify to the Risk Management area or the Internal Audit area.

4. RISK MANAGEMENT PROCESS

Our risk management structure follows the principles set forth in corporate risk management rules recognized in the market, including ISO 31000:2009. As a result, the approach we adopt to map out the management processes of our risks follow the steps presented in the graphic below:



GRAPHIC 02: Approach adopted by Company for the risk management process

4.1. Establish risk contexts – The risk context represents the environment in scope within which the risk needs to be managed. Once the business objectives have been defined and are clearly understood by the interested parties, potential threats to these objectives can be identified and analyzed. The universe of risks that threaten our ability to achieve these business objectives represent the risk context.

WHAT DOES RISK MEAN TO C&A?

Risk is the effect that an uncertainty has on C&A's ability to achieve its business objectives. A risk can be a threat or an opportunity, and can be identified as an emergent event or incident that could potentially affect: our capacity to deliver, the confidence of our main stakeholders and/or our ability to generate value.

WHAT IS THE SCOPE OF RISKS TO C&A?

The Company monitors the risks to which it is exposed and seeks to prevent, mitigate and address any and all types of risk that may negatively impact its activities and operations, the achievement of its objectives and the standards of value creation set out in its strategic plan. For reference, risks are classified according to the Company's Risk Dictionary set out in the figure below.

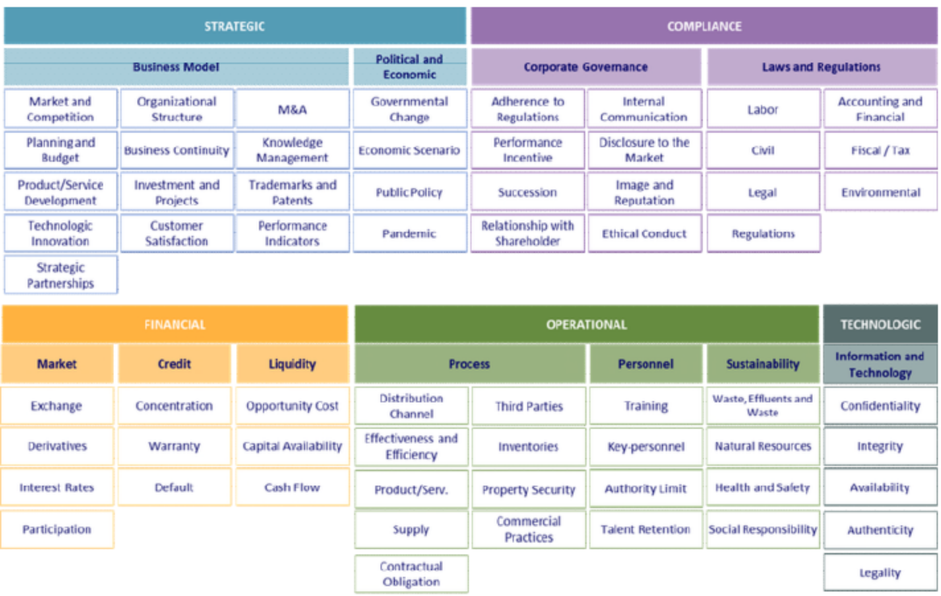
- Strategic Risks: These are those associated with the Company's strategy to create value creation, protection and growth. They are caused by changes in the external environment, such as political, economic and social, market, competitors, mergers and acquisitions, resource availability, innovations and portfolio of products and / or services.

- Operational Risks: are those arising from the inadequacy or failure to manage internal processes and people that may hinder or hinder the achievement of the Company's objectives and are associated with both the operation of the business such as marketing, sales, commercial; management of business support areas such as accounting, controlling, controls, supplies, occupational health and safety, environment and union relations

- Technological Risks: It is the possibility of a particular threat to exploit vulnerabilities of an asset or set of assets, impacting the confidentiality, integrity and availability of information.

- Financial risks:
  - Market Risks: risk that changes in market prices, such as exchange rates, interest rates and prices, may affect the Company's earnings or the value of its financial instruments;
  - Credit Risk: Defined as the possibility of loss resulting from the uncertainty regarding the receipt of amounts agreed with borrowers, counterparties or securities issues. This risk arises mainly from trade accounts receivable and cash and cash equivalents of the Company.
  - Liquidity Risk: possibility of loss arising from the inability to carry out a transaction in a reasonable time and without significant loss of value or the possibility of lack of resources to honor commitments assumed due to the mismatch between assets and liabilities.

- Compliance Risks: These are the risks of imposing legal or regulatory sanctions, financial loss or reputation that the Company may suffer as a result of non-compliance with laws, agreements, regulations, code of ethics and internal policies and procedures. These include the risks of financial statement fraud and misappropriation of assets, corruption and cyber crime.



GRAPHIC 03: Risk Dictionary

4.2 Identify and assess the risks – The objective of this phase is to quickly identify a relevant and practical list of risk scenarios that could affect our ability to achieve local business objectives. Risk identification is a wide-ranging activity that requires insights from all the main stakeholders. Risks can be identified using the following approaches, many of which may be selected by the **Risk Management** area:

- *Interview cycle* – this is an opportunity to identify and discuss C&A risk scenarios and they will be documented as part of the valuation process. The risk context is used as a platform to identify and discuss possible risk scenarios.
- *Risk questionnaire* – a risk questionnaire is produced and C&A management personnel are asked to fill out a risk identification sheet and return it by email before preset deadline.
- *Observation* – an opportunity to observe and catalog risk scenarios.

The risk identification stage ends when the strategic risk map (the "SRM") is developed. The Risk Management area evaluates the SRM on an annual basis, beginning with the map from the preceding year and updating it based on the following: (i) new internal, political and economic scenarios; (iii) the company's strategic projects; (iii) audit results and (iv) changes in the risk and compliance culture. A risk analysis is subsequently carried out taking into account the particular characteristics of age scenario and classifying them using individual risk profiles, which are determined by evaluating identified risks in terms of the likelihood of them occurring and possible impact criteria.

C&A's methodology addresses:

- *Impact*: the magnitude/significance of potential financial losses, image degradation, legal sanctions and/or operational interruptions, based on assessments from company executives and/or the Risk Management area.
- *Vulnerability:* The likelihood of a risk occurring based on how robust the related risk controls are, taking into account how the controls have been designed and implemented, as well as the likelihood of them failing, based on the interpretation of the Risk Management and Internal Audit areas and the Independent Auditor.
- *Risk Profile:* This is determined by combining the risk's anticipated impact/repercussion and likelihood/vulnerability.

	TYPES OF IMPACT	IMPACT LEVELS				
		1. N/A or Insignificant	2. Minimal	3. Moderate	4. High	5. Critical
	Financial	No financial impact	Up to R$5,000,000.00	Between R$5,000,000.00 to R$7,000,000.00	Between R$7,000,000.00 to R$10,000,000.00	Above R$10,000,000.00
	Reputational	No negative publicity	Minimal negative publicity (internal impact)	Local negative publicity (manageable impact)	Domestic negative publicity (domestically published articles)	Negative publicity regarding shareholders
	Legal	No legal, contractual or regulatory impact	Triggering through customer complaints	Non-compliance with specific regulation or contractual fine	Non-compliance with legislation in a continuous manner, resulting in formal notification from the supervisory body	Risk of loss of control over Company operations or penalties by regulatory agencies
	Operational	No alteration to operations	Daily operations without impacting loss	Operations carried out with performance loss	Operations carried out with significant performance restrictions	Stoppage of operations
VULNERABILITY LEVELS		RISK PROFILE (VULNERABILITY VS IMPACT)				
5. Almost certain	May occur within the next 3 months Probability >90%	Medium	High	High	Critical	Critical
4. Probable	May occur within the next 12 months Probability: >60% and <90%	Medium	Medium	High	Critical	Critical
3. Possible	May occur within the next 2 years Probability: >40% and <60%	Low	Medium	High	High	Critical
2. Unlikely	May occur within the next 5 years Probability: >10% and <40%	Low	Low	Medium	High	High
1. Exception or Rare	May occur within the next 10 years Probability: <10%	Low	Low	Medium	Medium	High

GRAPHIC 04: Risk profile parameters

4.3 Identifying responses – The objective here is to address risk scenarios and reduce their risk profiles. C&A therefore takes a decision on how each risk scenario is to be addressed, deciding the specific treatment that will be applied.

This process is commonly described as "ACAT" and is intended to ensure that the selected treatment achieves one or more of the following objectives:

- Avoid: eliminate risks, redefine business goals and/or strategies;
- Control: diversify, intensify the level of management and/or improve controls;
- Accept: no additional action, continue monitoring;
- Transfer: secure or transfer.

RISK PROFILE INTERPRETATION	
RISK PROFILE	RESPONSE INSTRUCTIONS
Critical	Requires a response / immediate mitigation plan with monthly reporting of the progress to the Board of Directors and quarterly reporting to the Audit and Risk Management Committee
High	Requires a response / appropriate mitigation plan with quarterly reporting of the progress to the Board of Directors
Medium	Monitoring and actively managing
Low	Monitoring and managing as necessary

GRAPHIC 05: Response guidelines per risk profile

4.4 Monitor and review The Risk Management area monitors activities reassess the level of management applied to each risk scenario and agree other response actions. Risk scenarios are monitored at least annually and reported to:

- Verify whether the risk profile has changed;
- Identify when additional treatment is required;

- Ensure that risk management is effective.

4.5 Communicate – The Risk Management area must assure the objective of reporting and communicating risks is to ensure that stakeholders are proactively provided with appropriate information in a timely fashion. Risk reports and communications are intended to ensure that:

- Stakeholders are aware of the nature and status of the main risks, so they are able to operate with greater awareness of the risks and their possible impacts;
- There is a culture of risk transparency:
- There is a culture of risk accountability and awareness;

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