

# RISK MANAGEMENT POLICY

## Background

Section 134(3) of the Companies Act, 2013 requires a statement to be included in the report of the board of directors (“**Board**”) of Hazaribagh Ranchi Expressway Limited (“**HREL**”) or the “**Company**”), 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.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems

Furthermore, Regulation 17(9)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”), requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

## Objective and Purpose

In line with the Company’s objective towards increasing stakeholder value, a risk management policy has been framed, which attempts to identify the key events / risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks.

## Risk Management Approach

Our risk management approach is composed primarily of four components:

- Risk Identification
- Risk Assessment
- Risk Response
- Risk Monitoring & Reporting

### Risk Identification:

- Risk identification is a process of identifying potential events that may positively or negatively affect the Company’s ability to implement its strategy and achieve its objectives and performance goals.
- The company will identify both internal and external risks. Illustration of internal and external risks given below:
  - Internal Risks include Financial Risk, Operational Risk, Reputation Risk, Information & Cyber Security Risk etc.
  - External Risks include Sectoral Risk, Political Risk etc.
- The company will identify Risk from both internal as well as external sources like Management inputs, Auditor’s Report, Whistle Blower mechanism etc.

### Risk Assessment:

- Each of the identified risk is assessed for a risk rating on the twin factors of probability and severity and have, accordingly been classified into the following ratings:
  - a. Very High
  - b. High
  - c. Medium
  - d. Low

### Risk Response

- Response to each of the identified risks are assessed in the context of Company's strategic direction and get suitably categorized into one of the following based on their linkage to the key strategic objectives of the Company:
  - a. Avoid
  - b. Transfer / Share
  - c. Accept

### Risk Monitoring & Reporting

- Periodically, key risks will be reported to the Board or Risk Management Committee with risk assessment and risk response undertaken/ proposed to be undertaken.

### **Risk Management Committee**

The Risk Management Committee shall have minimum three (3) members with majority of them being members of the Board of Directors, including at least two thirds of members of the Risk Management Committee shall comprise independent directors.

The Chairperson of the Risk Management Committee shall be a member of the Board of Directors and senior executives of the Company may be members of the Risk Management Committee.

The Risk Management Committee shall meet at least twice in a year. The quorum for a meeting of the Risk Management Committee shall be either two (2) members or one third of the members of the Risk Management Committee, whichever is higher, including at least one member of the Board of Directors in attendance.

The meetings of the Risk Management Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty (180) days shall elapse between any two consecutive meetings of the Risk Management Committee.

The terms of reference of the Risk Management Committee are as follows:

- review of strategic risks arising out of adverse business decisions and lack of responsiveness to changes;
- review of operational risks;
- review of financial and reporting risks;
- review of compliance risks;
- review or discuss the Company's risk philosophy and the quantum of risk, on a broad level that the

Company, as an organization, is willing to accept in pursuit of stakeholder value;

- review the extent to which management has established effective enterprise risk management at the Company;
- inquiring about existing risk management processes and review the effectiveness of those processes in identifying, assessing and managing the Company's most significant enterprise-wide risk exposures;
- review the Company's portfolio of risk and consider it against its risk appetite by reviewing integration of strategy and operational initiatives with enterprise-wide risk exposures to ensure risk exposures are consistent with overall appetite for risk; and
- review periodically key risk indicators and management response thereto.

#### **Disclaimer Clause**

The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

#### **Periodical Review of Effectiveness**

Effectiveness of risk management framework is ensured through periodical review of this Policy, provided that such review should be undertaken at least once in two years. As the risk exposure of any business may undergo change from time to time due to the changing industry dynamics, evolving complexity and continuously changing environment, the updation and review of this Policy will be done as and when required, by the risk management committee to ensure it meets the requirements of legislation and the needs of organization.

In the event of any conflict between the Companies Act, 2013 or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the Regulations shall prevail over this Policy. Any subsequent amendment/modification in the SEBI Listing Regulations, in this regard shall automatically apply to this policy.

#### **Approval of the Policy**

The Board will be the approving authority for the company's overall risk management system. The Board will, therefore, approve this Policy and any amendments thereto from time to time.

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