RISK MANAGEMENT POLICY

OF

RATNAGIRI GAS AND POWER PVT. LTD.

1. BACKGROUND

Ratnagiri Gas and Power Private Limited (the Company) is engaged in the business of power generation from a combined cycle gas based power plant, operation and maintenance of power plant including production, generation and supply of electricity and all forms of electric power and other forms of conventional, non-conventional and renewable energy; and acquiring, storing, processing, re-gasifying, supplying and dealing in liquefied natural gas including the set-up and operation of import-export terminals and facilities for receiving, storing, transporting, distributing, supplying and re-gasification, compression other related processing plants and infrastructure for liquefied natural gas (the "**LNG Business**"). The business activities of the Company carry various internal and external risks.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives.

Risk is measured in terms of consequences and likelihood. 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 have evolved and they are now regarded as good management practice 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. Risk management is a holistic, integrated, structured and disciplined approach to managing risks with the objective of maximizing shareholder's value. It aligns strategy, processes, people & culture, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value.

Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and Contingency planning in the event that critical threats are realized.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc. With the vision to integrate risk management with the overall strategic and operational practices, an Enterprise Risk Management Framework has been established by Company, as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

2. 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 new Companies Act, 2013 has also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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.

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.

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

3. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The objectives of this Policy are:

- To ensure that all material risk exposures of the Company are identified, assessed, evaluated and appropriately mitigated/managed
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.
- To establish ownership throughout the Organization and embed risk management as an integral part of the business rather than a stand-alone system.
- To help the decision makers of the organization take account of uncertainty, the nature of that uncertainty, and work towards a solution to address it.
- **Policy Statement**
  - To achieve the strategic objective while ensuring appropriate management of risks.
  - To ensure protection of stakeholders' value.
  - To provide clear & strong basis for informed decision making at all levels of the organization.
  - To strive towards strengthening the Risk Management System through continuous learning & improvement.
  - Every employee of the company is recognized as having role in risk management for identification of risk to treatment and shall be invited & encouraged to participate in the process.

4. APPLICABILITY

This Policy applies to all areas of the Company's operations.

5. KEY 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].*

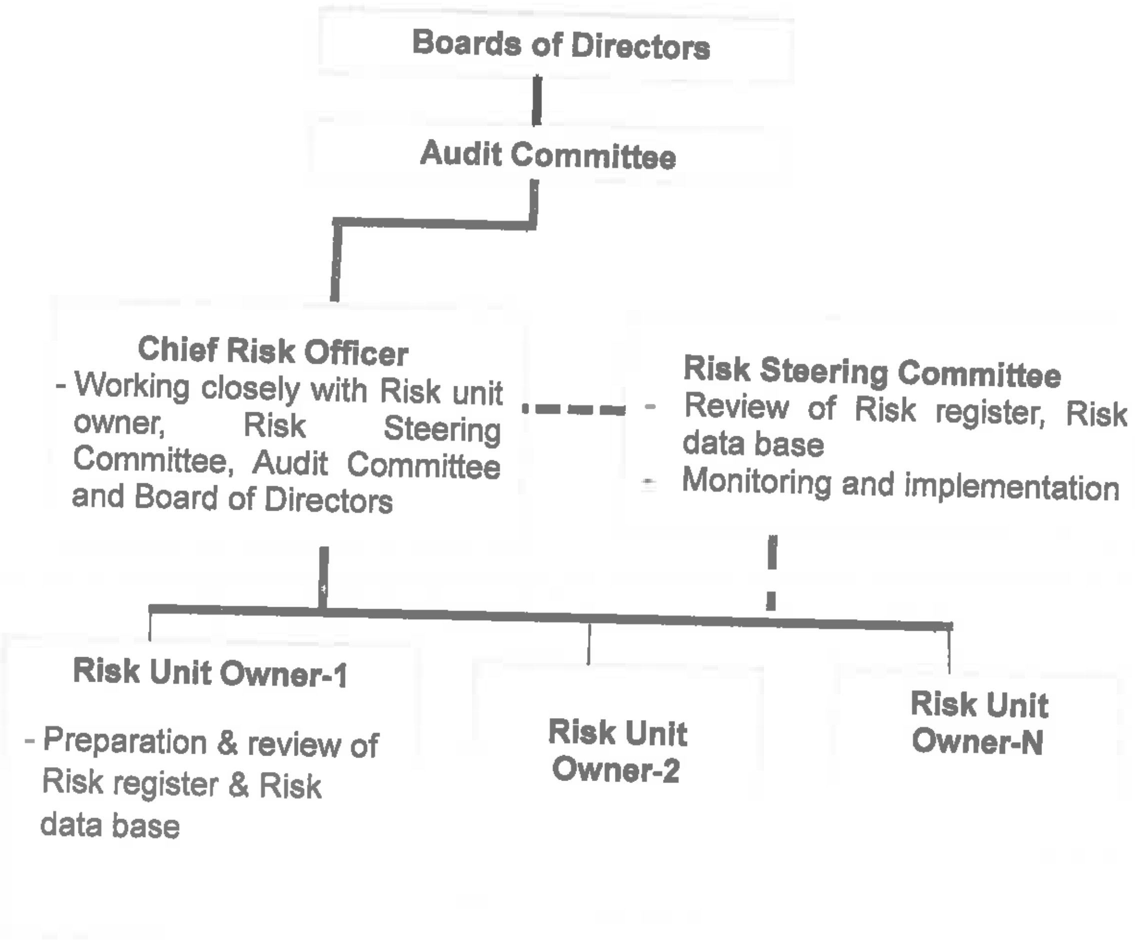
"Audit committee" means the Audit Committee constituted by the Board of Directors of the Company.

"Chief Risk officer" or (CRO)" means a person as nominated by Managing Director of RGPPL.

"Risk Steering Committee" means a committee consisting of key functional department/section representatives at Corporate Office & Site, nominated by the Managing Director.

"Risk Unit Owner" means the Head of a unit/ department/ section in the organization or a person nominated by Head of Plant/ Managing Director.

6. ORGANIZATION STRUCTURE



7. ROLES & RESPONSIBILITIES

- **Risk Unit Owners** will assess the risk by determining its probability of occurrence and its impact with an objective of reporting key risks to the Risk Steering Committee.

  Key responsibilities of the **Risk Unit Owners** include:

  - Identification of risks in the department
  - Reporting new risks or failures of existing control measures with remedial action to Risk Steering Committee
  - Keeping the risk registers and related action plans updated
  - Submission of risk registers and Risk Database along with exception reports (if any) to Risk Steering Committee and CRO as per schedule
  - Educating employees dealing with key activities in their unit of the risk management process

- **Risk Steering Committee** will set the risk management procedures and coordinate with risk unit owners in reporting key risks to the Audit Committee by following the standard operating procedure. Key responsibilities of the **Risk Steering Committee** include:

  - Identification of new risks
  - Performing the review of the Risk Register and Risk Database as per schedule
  - Review reports prepared by the individual risk unit owners.
  - Assisting the various risk units to identify, analyze and manage risks
  - Monitoring the Key Risk Indicators for key risks on a continuous basis
  - Identifying the areas, which need insurance or financial cover to protect against loss.
  - Ensuring the implementation of risk mitigation plans
  - Escalation of issues requiring policy approvals and amendments to the CRO.
  - Periodic review of Risk Management Policy for its continued effectiveness depending upon developments in business environment.

- **Chief Risk Officer (CRO)** plays a pivotal role in the execution of the company's risk management policy. Working closely with the Risk Unit Owner, Risk Steering Committee, Managing Director, Audit committee and the Board of Directors, the CRO would be responsible for implementing risk management policies, monitoring strategies and implementing risk management capabilities. The CRO's ultimate objective is to help the Board and management to determine the risk-reward trade-offs in the business and bring transparency into the risk profile of the business.

The CRO facilitates the execution of risk management processes and infrastructure as a key enabler to achieving the business objectives of the organization. Following are the key responsibilities of the CRO and CRO Office:

- Identification of new risks.
- Assist the board and senior management to establish and communicate the organization's Risk Management objectives and direction;
- Facilitate risk assessments, developing risk mitigation strategies where required and monitoring key risks across the organization
- Works with business units to establish, maintain, and continuously improve risk management capabilities
- Implements appropriate risk reporting to the Board and senior management
- CRO will be responsible for coordinating with respective Risk Unit Owners and consolidating the risk registers and database review reports.

➢ **Audit Committee** would review the risk assessment & mitigation procedures across the Company. The Audit Committee will assist the Board in independently assessing compliance to risk management practices. It will also act as a forum to discuss and manage key risks.

➢ **Board of Directors**, through the Audit Committee, shall oversee the establishment and implementation of an adequate system of risk management across the company. Board shall comprehensively review the effectiveness of the company's risk management system.

8. RISK FACTORS

The Company's business is subject to both external and internal risks that are enumerated below:-

A. External Risk Factors

Understanding the external context is important in order to ensure that the objectives and concerns of external stakeholders are considered when developing risk criteria. It is based on the organization-wide context, but with specific details of legal and regulatory requirements, stakeholder perceptions and other aspects of risks specific to the scope of the risk management process. The external context can include, but is not limited to:

- The social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local;
- Key drivers and trends having impact on the objectives of the organization; and
- Relationships with, perceptions and values of external stakeholders.

B. Internal Risk Factors

The risk management process should be aligned with the organization's culture, processes, structure and strategy. Internal context is anything within the organization that can influence the way risks will be managed. This can include, but is not limited to:

- Governance, organizational structure, roles and accountabilities;
- Policies, objectives, and the strategies that are in place to achieve them;
- Capabilities, understood in terms of resources and knowledge (e.g. capital, time, people, processes, systems and technologies);
- The relationships, perceptions and values of internal stakeholders and the organization's culture;
- Information systems, information flows and decision making processes (both formal and informal), Standards, guidelines and models adopted by the organization.

9. RISK MANAGEMENT FRAMEWORK & PROCESS

The procedure shall ensure that all the current and expected risk exposures of the organization are identified, qualitatively and quantitatively evaluated, analysed and appropriately managed. It shall also include the process for development and periodic review of the unit wise Risk Registers and databases in order to guide decisions on business risk issues and establish a risk intelligence framework for the organization, which in turn would help the decision makers of the organization explicitly take account of uncertainty, the nature of that uncertainty and work towards a solution to address it.

The Risk Matrix shall broadly cover the following:

Name of Risk	
Scope of Risk	Qualitative description of events
Nature of Risk	External or Internal and sub-category (if any)
Rating / Quantification of Risk and it's likely occurrence	Significance/Impact alongwith Probability
Classification of Risk	High, Medium, Low
Reporting and it's frequency	Formats, frequency
Risk Treatment and Control Mechanism	a) Primary Means b) Monitoring and Review
Potential Action for Improvement	Recommendations to Reduce Risk

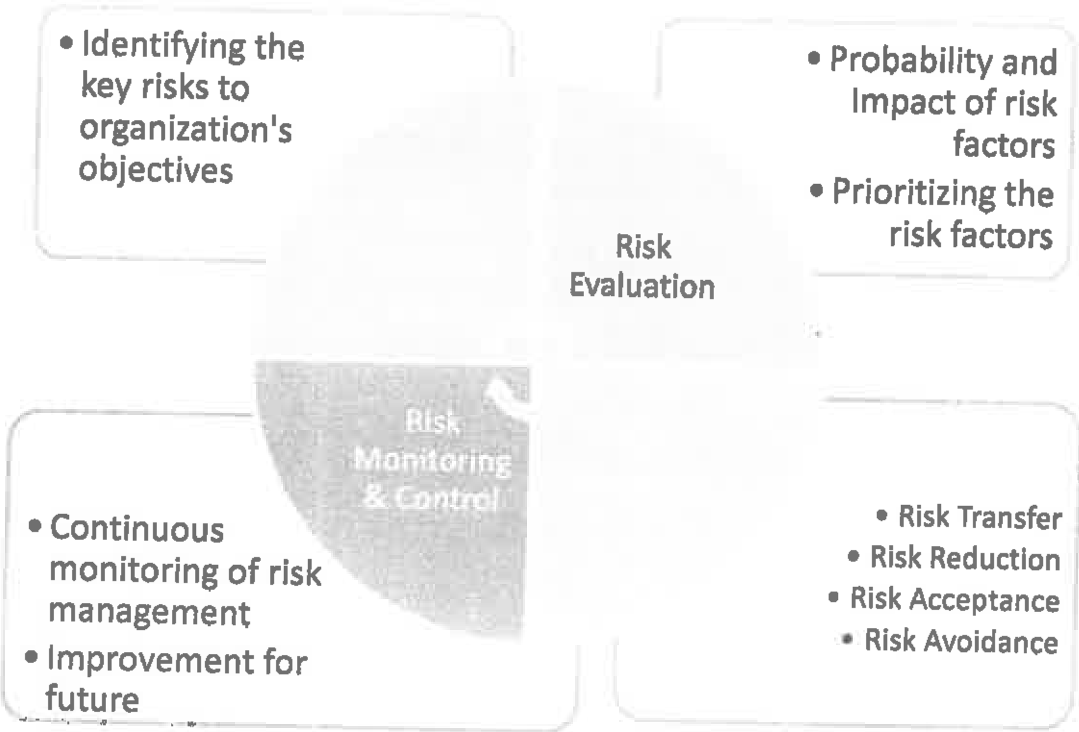
The Risk Management Framework would comprise of:

- Risk Management process; and
- Risk Management Organization Structure

Risk Management Process includes 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 unfortunate events or to maximize the realization of opportunities.

The Risk Management process shall *inter alia* include the following stages/steps:

- Establishing the Context
- Risk Assessment (identification, analysis & evaluation)
- Risk Treatment (mitigation plan)
- Monitoring, review and reporting
- Communication and consultation



Communication of Risk Management policy to various levels of management for effective implementation is essential.

Risk Identification is obligatory on all Risk Unit Owners who, with the inputs from their team members, are required to report the material risks to the Risk Steering Committee along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by the Risk Steering committee under the guidance of the CRO and a preliminary report thus finalized shall be placed before the Audit Committee.

10. RISK MANAGEMENT ACTIVITY CALENDAR

Activity	Timelines
Risk Register Review report to be submitted by Risk Unit Owners to the CRO and Risk Steering Committee	Quarterly (By 10th day following the quarter end)
Risk Steering Committee meeting to review the key risks/ reports from Risk Owners	Quarterly

Review by Audit Committee	Half Yearly
Review by Board	Half Yearly
Risk Database review report to be submitted by Risk Owners to the CRO and Risk Steering Committee	Annually (By 45th day following the year-end)

11. REVIEW

This policy shall be reviewed every year by Risk Steering Committee.

12. COMMUNICATION

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.