ASHOK PIRAMAL GROUP

# RISK ASSESSMENT & MANAGEMENT POLICY

# PENINSULA LAND LIMITED

**EXHIBIT 1**

## SCOPE

This policy establishes the philosophy of Peninsula Lnad Limited. (Company), towards risk identification, analysis & prioritisation of risks, development of risk mitigation plans & reporting on the risk environment of the Company. This policy is applicable to all the functions and departments of the Company..

## OBJECTIVE

The objective of this policy is to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The key objectives of this policy are :

- Safeguard the Company property, interests, and interest of all stakeholders.
- Lay down a framework for identification, measurement, evaluation, mitigation & reporting of various risks.
- Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
- Balance between the cost of managing risk and the anticipated benefits.
- To create awareness among the employees to assess risks on a continuous basis & develop risk mitigation plans in the interest of the Company.
- Provide a system for setting of priorities when there are competing demands on limited resources.

## POLICY

### 1. KEY DEFINITIONS:

#### 1.1 Risk:

The chance of something happening that will have an impact on the achievement of the Group / Company's objectives. Risk is measured in terms of consequences and likelihood.

#### 1.2 Risk Assessment:

The overall process of risk analysis and evaluation.

#### 1.3 Risk Management:

The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

#### 1.4 Risk Management Process:

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.

## 2. Responsibilities:

### 2.1 General:

Every employee of the Company is responsible for the effective management of risks including the identification of potential risks. The management is responsible for the development of risk mitigation plans and the implementation of risk mitigation strategies. ***Head – Finance/CFO*** is responsible for overall monitoring of the risk assessment & management of the Company. For the purpose of risk management, he will be designated as 'Chief Risk Officer' (CRO).

2.2 CRO is accountable for ensuring that a risk management system is established, implemented and maintained in accordance with this policy. Assignment of responsibilities in relation to risk management will be done by the CRO.

### 2.3 Audit Committee

The Audit Committee of the Board of the Company shall be responsible for the oversight of the processes for identification and assessment of the risks, reviewing the outcomes of risk management processes, and for advising the Company as necessary from time to time.

### 2.4 Senior Executives

Senior Executives, under the leadership of CRO, are accountable for strategic risk management within areas under their control including the devolution of the risk management process to operational managers. Each risk should be owned by a specified person (Risk Owner), who should effectively monitor & ensure timely management of the risk.

### 2.5 Auditors:

Internal & external auditors are responsible to ensure that risk management processes are adequately followed by the Company and statutory requirements (such as adherence to Clause 49, etc.) are complied with.

## 3 Approach to Risk Management:

The following methodology should be adopted by every concern to identify and mitigate risks to which they are subjected.

3.1 Identification of Risks: This would envisage identification of the potential list of events/perils/risks/factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

- Strategic Risk:
  - Competition, inadequate capacity, high dependence on a single customer/vendor

- Business Risk:
  - Project viability, Process risk, technology obsolescence / changes, development of alternative products

- Finance Risk:
  - Liquidity, credit, currency fluctuation

- Environment Risk:
  - Non-compliances to environmental regulations, risk of health to people at large

- Personnel Risk:
  - Health & safety, high attrition rate, incompetence,

- Operational Risk:
  - Process bottlenecks, non-adherence to process parameters/pre-defined rules

- Reputation Risk:
  - Brand impairment, product liabilities

- Regulatory Risk:
  - Non-compliance to statutes, change of regulations

- Technology Risk:
  - Innovation, obsolescence,

- Political Risk:
  - Changes in the political environment, regulation/deregulation due to changes in political environment

3.2 Analyze Risks: This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and whether these consequences are likely to occur. Consequence and likelihood are reviewed to produce an estimate of the level of risk.

Inherent and Residual Risks: Risks are assessed before and after the current control activities. The assessment of risks at the inherent level (before considering the current control activities) facilitates prioritization of risks. The assessment of risks at the residual level (risk that remains after considering control activities) helps determine whether the current risk level is acceptable or requires further mitigation plan. All risks are assessed at the inherent and residual levels.

3.3 Evaluate & Prioritize Risks: This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized. The risks can be evaluated by plotting them on the Risk Map (Annexure 1).

- ♦ Occurrence and impact of the risk will be evaluated on an annual basis.
- ♦ The result of this evaluation should be mapped in the Risk Map, which should depict the probable impact of the risk on the Y- axis on a scale of 1-10 and the likelihood of occurrence of the risk on the X- axis on a scale of 1- 10.
- ♦ Thus, based on the results of the Risk Management study and the judgment of the Risk Management Team each risk should be mapped in the Risk Map. The, risk map highlights the 'Risk Score' (from 1 to 100) for each risk identified in the function/department.
- ♦ Based on the risk score the risks can be classified in the following categories:

| Risk Category | Score | Impact/Action Strategy | Monetary classification of Impact (Example) |
|---|---|---|---|
| Extremely High Risk (A) | More than 75 points | Severe. Strategic/ critical risks, which need to be addressed & followed-up by the senior management /Board on a priority basis. | Above Rs. five crore. |
| High Risk (B) | Between 51 to 75 points | Serious. Business risks which result in major business disruptions and need to be addressed and followed-up by senior management. | Between Rs. 1 crore to Rs. 5 crore |
| Medium Risk (C) | Between 25 to 50 points | Medium. These risks are more operational in nature and need to be primarily addressed by the concerned Department Heads, along with the Senior Management. | Between Rs. 25 lakh to Rs. one crore. |
| Low Risk (D) | Below 25 points | Insignificant. These risks fall last in the organization-wide corrective action plan considering their relative importance to the organization and thus, can be managed by the middle/lower management. | Less than Rs. 25 lakh. |

- ♦ The CRO should classify risks in the above category and define the range of monetary impact to ensure proper classification of risks according to the nature & size of the Company.
- ♦ CRO should identify certain risks, which cannot be quantified in monetary terms and as such not possible to rank them. In such cases, the consequences of the risk need to be evaluated. The following could be used as criteria to identify such risks:
  - ➢ Impact on fatality or irreversible disability/impairment to human life.
  - ➢ Impact on the environment
  - ➢ Impact on the Brand Equity including public litigation

3.4 Risk Register: The CRO should ensure compilation of a Risk Register (Annexure 2) in the specified format. The following should be included in the Risk Register.

- Name of the function/department
- Date of risk review
- Risk description i.e. nature of risk
- Risk indicators
- Risk drivers - source of risk
- Consequences & likelihood
- Risk score & risk category
- Existing controls
- Risk ownership

3.5 Treat Risks: For high priority risks, the CRO with the help of Risk Champions and management should develop and implement specific risk management/mitigation plans. Low priority risks may be accepted and monitored. The CRO should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities. The CRO should ensure approval of the control measures to be initiated against the identified risks from the designated personnel after analyzing cost v/s benefits.

3.6 Monitor and Review: This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.

- The CRO is responsible for overall monitoring of the risk management processes.
- To support the CRO, every business function/department will depute a manager not below a ***Manager*** level as the 'Risk Champion' to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

3.7 Communication and Consultation: Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

3.8 Reporting: Quarterly reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee & Board. The responsibility of compilation of report is entrusted with the CRO. The Risk Champions should submit monthly report on the compliance of the risk assessment & management policy to the CRO.

## 4. Training:

The CRO should identify the need for imparting training to Risk Champions as well as other key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc. The training budget should be prepared at the beginning of the year and should be approved by the appropriate authority.

## 5. Retention of Documents:

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years.

**6. Implementation Review:**

To ensure adequate and complete implementation of this policy, internal audit reviews should be carried out at least annually.

**7. Policy Review:**

The policy shall be reviewed annually for modification based on change in business practices.

## Annexure 1

## RISK MAP

| Probable Impact | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 10 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |
| 9 | 9 | 18 | 27 | 36 | 45 | 54 | 63 | 72 | 81 | 90 |
| 8 | 8 | 16 | 24 | 32 | 40 | 48 | 56 | 64 | 72 | 80 |
| 7 | 7 | 14 | 21 | 28 | 35 | 42 | 49 | 56 | 63 | 70 |
| 6 | 6 | 12 | 18 | 24 | 30 | 36 | 42 | 48 | 54 | 60 |
| 5 | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 | 45 | 50 |
| 4 | 4 | 8 | 12 | 16 | 20 | 24 | 28 | 32 | 36 | 40 |
| 3 | 3 | 6 | 9 | 12 | 15 | 18 | 21 | 24 | 27 | 30 |
| 2 | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 16 | 18 | 20 |
| 1 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | Slight Chance | | Less than 50 % | | | More than 50 % | | | Almost Certain | |

Likelihood of Occurrence

**Annexure 2**

# RISK REGISTER

| | | | |
|---|---|---|---|
| Name of the Company: | | Risk Review Date: | |
| Function/Department: | | Compiled By: | Name & Date |
| Risk Champion: | | Reviewed By: | Name & Date |
| Chief Risk Officer: | | | |

| Risk Ref. | Risk Description | Risk Score | | | Adequacy of existing Controls | Risk Category (A, B, C) | Risk Owner | Risk Mitigation Plan Ref. |
|---|---|---|---|---|---|---|---|---|
| | | Consequence | Likelihood | Total out of 100 | | | | |
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