



Risk Management Policy

Indradhanush Gas Grid Limited

1. INTRODUCTION

Section 134(3)(n) of the Companies Act, 2013 requires a statement to be included in the report of the board of directors of IGGL, 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.

Furthermore, even though IGGL is not listed and does not come under the ambit of SEBI regulations, Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015), requires that the Company set out procedures to inform the Board about the risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

Indradhanush Gas Grid Limited (IGGL) has identified need for an efficient, effective and demonstrable Risk Management process within the company.

This policy is intended to provide a framework to IGGL for the management of enterprise risks and to increase overall awareness of risk throughout the company and to enable managers, stakeholders and those responsible for risk reporting, to better identify, assess and control risks within their areas.

2. OBJECTIVES:

The main objectives of this policy are to ensure sustainable business growth with stability, increasing stakeholder value and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business and also to enable compliance with the relevant legal and regulatory requirements and norms.

3. DEFINITIONS

Risk: Risk can be defined as uncertainties or unexpected events or outcomes which are beyond control.

Risk Management: Risk management Process can be defined as 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.

Impact: The degree of consequences/effect to the organization should the event occur.

Likelihood: The likelihood of the event occurring or probability.

Risk Rating: The rating determined from the risk score derived from qualitative analysis of impact and likelihood. Categorized as High, Medium or Low.

Risk Register: A template that consists of all risks that have been identified. It is the key document used to communicate and is used for management control, reporting and reviews.

Risk Classification: Risk elements are classified into various risk classes, termed as 'risk baskets'. Risks are grouped for better management and control. This list may be modified in future to add/modify new risk classes that may emerge.

4. AMENDMENT TO THE POLICY

This policy can be changed, modified or abrogated at any time by the board of directors of the company.

5. THE RISK MANAGEMENT FRAMEWORK OR STRUCTURE

An effective Risk Management Structure comprises of:

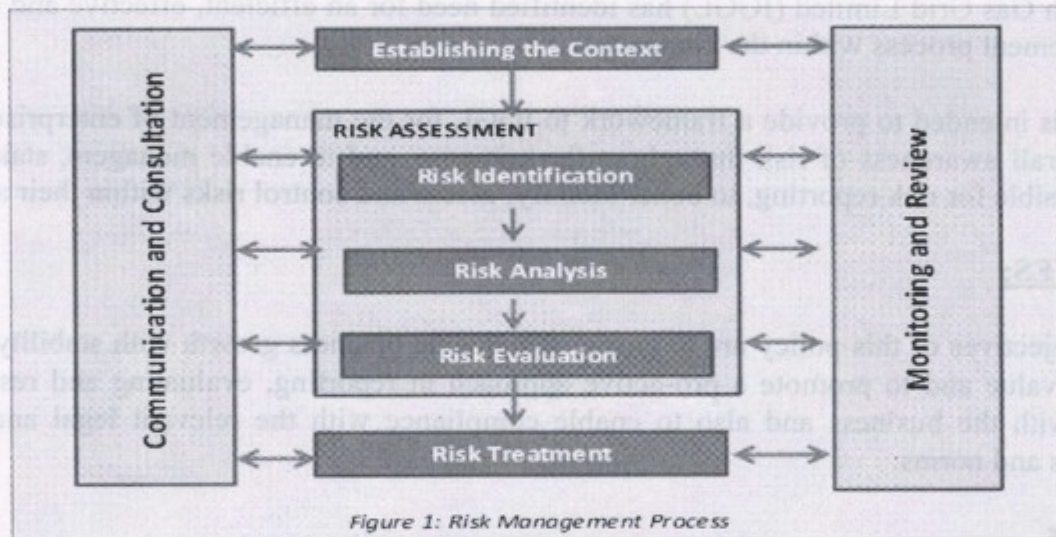
- i) Risk management process; and ii) Risk management organization structure

6. RISK MANAGEMENT PROCESS

Effective risk management process requires continuous & consistent assessment, mitigation, monitoring and reporting of risk issues across the company.

The process consists of the following stages/steps:

- i. Establishing the Context
- ii. Risk Assessment (identification, analysis & evaluation)
- iii. Risk Treatment (mitigation plan)
- iv. Monitoring, review and reporting
- v. Communication and consultation



i) **Establishing the Context**

The external and internal parameters need to be taken into account when managing risk. This sets the scope and risk criteria for the remaining process.

a) **Establishing the External Context**

Understanding the external context is important in order to ensure that the objectives and concerns of external stakeholders are considered when developing risk criteria.

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) **Establishing the Internal Context**

- Internal context is anything within the organization that can influence the way risks will be managed. It is necessary to understand the internal context. 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);
- Information systems, information flows and decision-making processes.
- Standards, guidelines and models adopted by the organization

ii) **Risk Assessment**

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

a) **Risk Identification**

Risk identification can start with the source of problems, or with the problem itself. This stage involves identification of sources of risk, areas of impacts, events (including changes in circumstances) and their causes

Level of Risk	Description	Rating (Impact x Likelihood)
HIGH	High risk management attention needed to develop and initiate mitigation plans in the near future	> 12
MEDIUM	Moderate Risk. Departmental Heads attention required	Between 8 to 12
LOW	Low Risk. Manage by routine procedures	< 8

and their potential consequences.

b) **Risk Analysis/assessment**

Risk analysis involves:

- consideration of the causes and sources of risk
- the trigger events that would lead to the occurrence of the risks
- the positive and negative consequences of the risk
- the likelihood that those consequences can occur.

c) **Risk Evaluation**


The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

Risk Rating

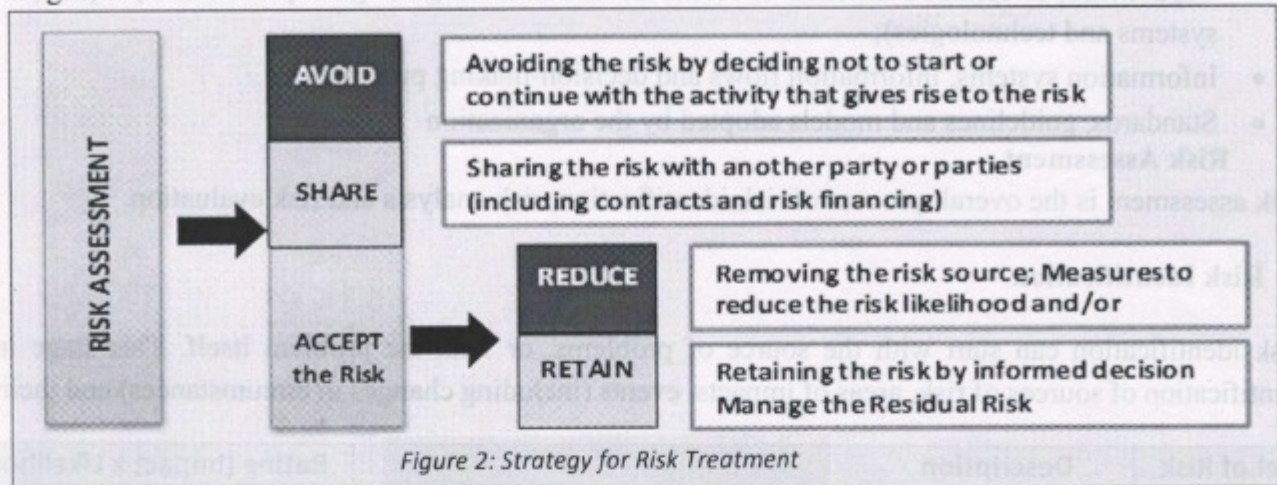
d) **Risk Treatment**

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Risk treatment involves a cyclical process of

- Assessing a risk treatment;
- Deciding whether residual risk levels are tolerable;
- If not tolerable, generating a new risk treatment; and
- Assessing the effectiveness of that treatment.




Following framework is to be used for risk treatment:



1. Avoidance (eliminate, withdraw from or not become involved)

As the name suggests, risk avoidance implies not to start or continue with the activity that gives rise to the risk.

2. Reduction (optimize - mitigate)

Risk reduction or "optimization" involves reducing the severity of the loss or the likelihood of the loss from occurring. Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.

3. Sharing (transfer - outsource or insure)

Sharing, with another party, the burden of loss or the benefit of gain, from a risk

4. Retention (accept and budget)

Involves accepting the loss, or benefit of gain, from a risk when it occurs. Risk retention is a viable strategy for risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the organization too much.

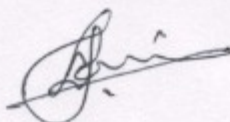
iii) **Monitoring and review**

In order to ensure that risk management is effective and continues to support organizational performance, processes shall be established to:

- Measure risk management performance against the key risk indicators, which are periodically reviewed for appropriateness
- Periodically measure progress against, and deviation from, the risk management plan
- Periodically review whether the risk management framework, effectiveness, policy and plan are still appropriate, given the organizations' external and internal context
- Report on risk, progress with the risk management plan and how well the risk management policy is being followed
- Structured scientific and analytical tools may be used for this purpose.

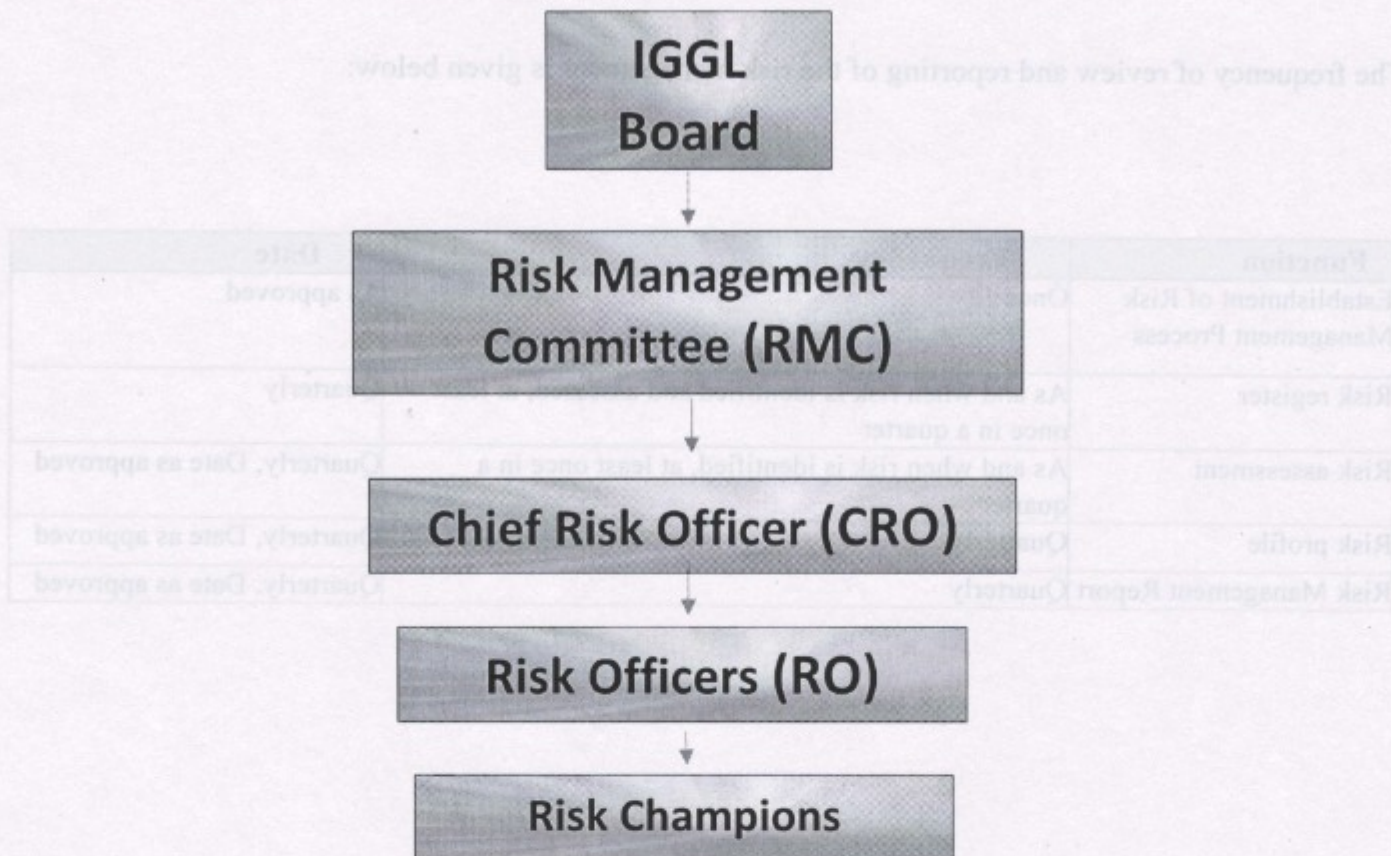
iv) **Communication and consultation**

Communication and consultation with external and internal stakeholders should take place during all stages of the risk management process. Therefore, plans for communication and consultation should be developed at an early stage.





7. Risk Management Organization Structure:



Membership:

Roles	Members
RMC	The committee shall consist of CEO, CPM, CFO, CHRCM, I/c C&P and CRO. CEO shall act as Chairperson and Company secretary as Secretary to RMC, IGGL. Reports of RMC's activities (agendas, decisions) and meetings (including attendance) will be maintained for each meeting by the Secretary. RMC may have additional members as required to ensure that all businesses and locations are covered and may invite other members to participate in specific meetings.
CRO	The CRO shall be a member of the RMC and be responsible as coordinator for Risk Management activity for the entire Company. CRO shall report to and update RMC on risk management program and prepare risk management report for the Company.
RO	The Risk officer shall be appointed from each department. ROs shall report to CRO and act as coordinator for Risk Management activity/initiatives of the Department.
Risk Champion (RC)	Risk Champions of IGGL will be an employee identified by each Department Head for different category of risks within the department. Risk Champions will report to RO. RC will assist and support RO in Risk Management initiatives of the Department.



Review and Reporting cycle.

The frequency of review and reporting of the risk management is given below:

Function	Frequency	Date
Establishment of Risk Management Process	Once	As approved
Risk register	As and when risk is identified and assessed, at least once in a quarter	Quarterly
Risk assessment	As and when risk is identified, at least once in a quarter	Quarterly, Date as approved
Risk profile	Quarterly	Quarterly, Date as approved
Risk Management Report	Quarterly	Quarterly, Date as approved

Membership:

Members	Roles
The committee shall consist of CEO, CPM, CFO, CHRCM, the C&P and CRD. CEO shall act as Chairperson and Company secretary as Secretary to RMC, IGGL. Reports of RMC's activities (agenda, decisions) and meetings (including attendees) will be maintained for each meeting by the Secretary. RMC may have additional members as required to ensure that all business and locations are covered and may invite other members to participate in specific meetings.	RMC
The CRO shall be a member of the RMC and be responsible as coordinator for Risk Management activity for the entire Company. CRO shall report to and update RMC on risk management program and prepare risk management report for the Company.	CRO
The Risk officer shall be appointed from each department. RO shall report to CRO and act as coordinator for Risk Management activity/initiatives of the Department.	RO
Risk Champions of IGGL will be an employee identified by each Department Head for different category of risks within the department. Risk Champions will report to RO. RC will assist and support RO in Risk Management initiatives of the Department.	Risk Champion (RC)



Annexure-I: Roles & Responsibilities

Some of risk management roles and responsibilities can include but is not limited to:

Board of Directors	<ul style="list-style-type: none"> Review and approve risk assessment and risk management reports Authorize and Support risk management practices.
Risk Management Committee	<ul style="list-style-type: none"> Develop and maintain risk management charter and policies Advise business units and functions on risk initiatives Spearhead risk management initiative within the Company Monitor emerging issues and shares best practices Improve risk management techniques and enhances awareness Set standards for risk documentation and monitoring Recommend training programs for staff with specific risk management responsibilities Assess and manage risk for the company as a whole. Review and approve the Risk management report prepared by the Chief Risk Officer
Chief Risk Officer	<ul style="list-style-type: none"> Oversee the execution of risk management strategies and policies Report to and update the RMC on the risk management program Review the Risk Management Reports submitted by ROs and make a consolidated Risk Management Report for the whole Organization. Coordinate the risk management initiative for the organization as a whole as per the risk management charter and polices and the directives of the RMC Responsible for coordination of Risk Management activities of the entire organization. Ensure that the risk register is reviewed and updated quarterly.
Risk Officers	<ul style="list-style-type: none"> Responsible for identifying risks Spearhead risk management initiative within the Department. Monitor emerging issues and shares best practices within the Department. Commission and oversee projects to define and implement risk mitigation strategies within the Department. Improve risk management techniques and enhances awareness within the Department. Set standards for risk documentation and monitoring within the Department and prepare Risk Management Report for the Department. Recommend training programs for staff with specific risk management Responsibilities Access and manage risk for the Department.
Risk Champions	<ul style="list-style-type: none"> Responsible for identifying risks Responsible for reassessing risks on a periodic basis Responsible for preparing risk register and risk profile Compliance with requests from Management in connection with application of this policy. Support and assist RO in Risk Management activity within the Department. Exercise care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected



Some of risk management roles and responsibilities can include but is not limited to:

Annexure II: Risk Register

Department:

Sl. No.	Risk Description	*Likelihood Score	**Impact Score	Risk Score	Risk Category	Remarks
Risk Champion						
(Signature)		(Designation)		(Date)		
Department Head						
(Signature)		(Designation)		(Date)		

***Likelihood Scale:**

****Impact Scale:**

Level	Descriptor
5	Very high likelihood
4	High likelihood
3	Moderate likelihood
2	Low likelihood
1	Very low likelihood


Level	Descriptor
5	Very high impact
4	High impact
3	Moderate impact
2	Low impact
1	Very low impact

Likelihood Score x Impact Score = Risk Score

Annexure III: Sample of List of risk classes / category

Sr. No.	Risk Classes/Baskets	Definitions
1	Information Technology	The risk that systems are inadequately managed or controlled, data integrity, reliability may not be ensured, system or network architecture not supporting medium- or long-term business initiatives and strategy, capacity planning not being reviewed on a regular basis resulting in processing failures, risks of data or systems migration or interfaces.
2	Human Resource	Risks associated with culture, organizational structure, communication, recruitment, performance management, remuneration, learning & development, retention, Occupational Health & Safety and industrial relations, including supporting systems, processes and procedures.
3	Strategic	Risks associated with strategy development, strategic alliances, business planning, business mix and performance targets.
4	Financial	<ul style="list-style-type: none"> - Risks related to liquidity / management of cash. - Risks inadequacy of controls and lack of monitoring leading to fraud etc. - Other risks associated with taxation also form part of this category
5	Legal and Regulatory	Risks relating to non-compliance with legislation, regulations, supervision or internal policies and procedures. This category also includes risks relating to regulations that may have adverse impact on the company.
6	Environmental	This category includes risks related to environment pollution, safety of resources and employees' health.
7	Procurement	<ul style="list-style-type: none"> - Risk of uncompetitive procurement process

This list may be modified in future to add/modify new risk baskets that may emerge.



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