

RISK ASSESSMENT AND MANAGEMENT POLICY

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1. BACKGROUND

Section 134(3)(n) and 177(4) of Companies Act, 2013 mandates that the Board of Directors and Audit Committee of the company make an assertion on development and implementation of a risk management policy, including identification of risk elements, if any, which in the opinion of Board and Audit Committee may threaten the existence of company. Regulation 17(9) of the SEBI (LODR) Regulations requires that the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the company, reviewing the risk policy and ensuring that systems of risk management are in place. It also mandates that the company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

2. PURPOSE

The purpose of this Policy is to ensure that:

- Appropriate Risk Management Framework is in place
- Ascertainment of Risk Appetite i.e. Potential impact and likelihood of identified risks
- Mitigation of Risks to the extent feasible
- Improved compliance with relevant legislation

3. OBJECTIVES

The application of this policy and related framework shall support:

- Aligning the corporate strategies & objectives to the risk appetite
- Integrated approach to risk management at strategic level
- Systematic approach and use of special tools for risk management
- Providing Board / Management oversight
- Development of a more risk aware organizational culture

4. APPLICABILITY

This Policy shall apply to entire Dilip Buildcon Limited including its units, projects, subsidiaries and SPVs. The Policy shall cover all the employees of Dilip Buildcon Limited.

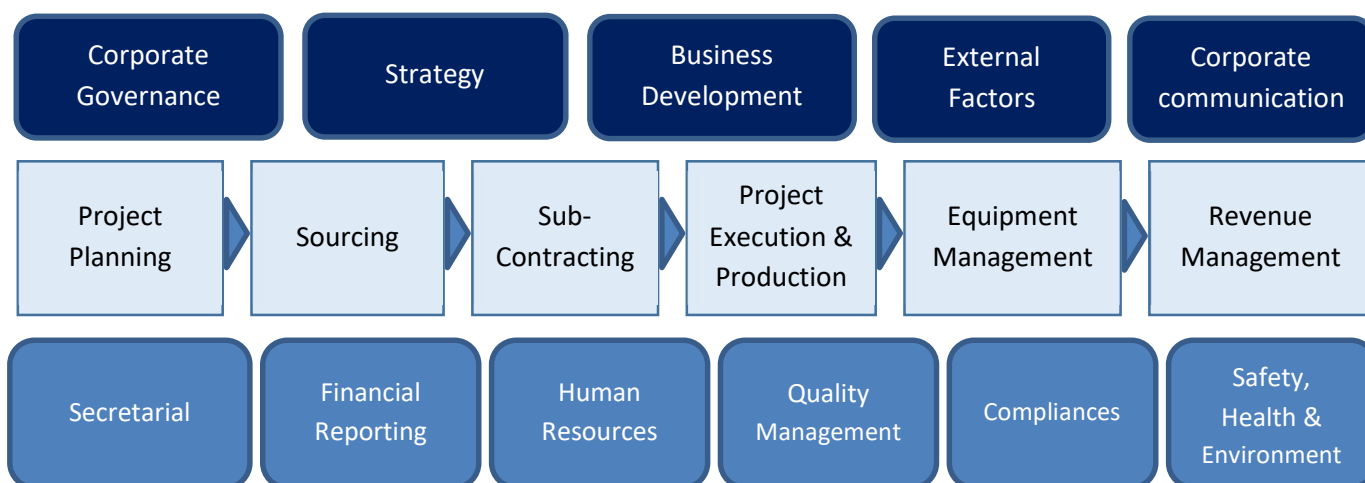
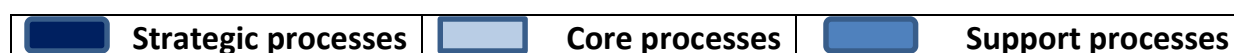
5. DEFINITIONS

1. **“Board”** shall mean the Board of Directors of the Company.
2. **“Audit Committee”** means “Audit Committee” constituted by the Board of Directors of the Company, from time to time in compliance with the provisions of the Companies Act, 2013 and the rules made thereunder, as amended, and the Listing Regulations.
3. **“Company”** shall mean Dilip Buildcon Limited.

4. **“Risk Management Committee (RMC)”** means the Committee constituted by the Company under applicable provisions, to monitor and review of the Risk Management Policy / Plan and such other functions pertaining to risk management, by whatever name called.
5. **“Inherent Risk”** means assessment of risks in the absence of internal controls.
6. **“Residual Risk”** means net risk after considering existence and effectiveness of controls for each inherent risk. Residual risk is assessed by determining how well the risk mitigation strategies / controls mitigate the level of inherent risk in the sub-activities using probability of occurrence, magnitude of impact and professional judgement
1. **“Chief Risk Officer (CRO)”** means the person appointed by RMC, to overview effectiveness of risk management framework and report to RMC.

6. Coverage

Coverage of risk assessment shall include the following:



7. RISK APPETITE

The Risk Appetite shall be prepared by the RMC and reviewed annually or earlier if the need arises. The Risk Appetite recommended by the RMC shall be approved by the Audit Committee and Board after suggesting changes, if any.

The Existing Risk Appetite is as per Annexure A.

8. RISK MANAGEMENT PROCESS

The risk management process contains the following key elements:

- 1. Identification of risks:** Risk identification implies finding, recognizing and describing exposure to uncertainty in the market in which it operates, the legal, social, political and cultural environment in which it exists and the alignment with its strategic and operational objectives along with identification of their root cause.

On a half-yearly basis:

- Functional Heads shall identify, assess and monitor the risks pertaining to it in the following broad categories:
 - Industry Risks
 - Operational Risks
 - Macro-economic Risks affecting the Company
- The Chief Risk Officer shall also identify macro-economic risks affecting the company and communicate the same to relevant Functional Head.

- 2. Risk Assessment:** Risk Assessment for the purpose of this Policy means the quantification of the impact of risks to determine their potential severity and the likelihood of occurrence of the risk to determine frequency. Based on this, risks shall be categorized into Low, Medium & High Risks.

For the risks identified, Functional Heads shall carry out the following Risk Assessment exercise on a half-yearly basis:

- a. Risks shall be assessed for i) the Impact to ascertain potential severity and ii) Likelihood of Occurrence and categorization into Low, Medium and High based on risk appetite.
- b. Mitigation Plan with timelines shall be prepared / updated for all risks. Mitigation plan may include any one of the following:
 - Accept Risk
 - Reduce Risk
 - Share/Transfer Risk
 - Avoid / Eliminate Risk

Further, the cost of controlling and mitigating the risk should not exceed the magnitude of risk except for the following:

- Regulatory and Compliance
- Health, Safety and Environment

For above two risks, whatever be the cost, proper control and mitigation are must.

- 3. Risk Monitoring:** Functional Heads shall be responsible to monitor the mitigation plans as approved and submit the status of the mitigation plan to the Chief Risk Officer on a half-yearly basis.
- 4. Creation / Updation of the Risk Register:** Risk Register shall be the key document used to communicate the current status of all known risks.

Risks identified shall be documented in the risk register by the Functional Heads once the risk assessment is conducted on a half-yearly basis. The Risk Register shall mainly include the following:

- List of risks
- Root causes for each risk
- Inherent and Residual risk ratings and categorization into high, medium and low
- Mitigation plan
- Ownership of risk management and control techniques

5. Review and Reporting:

A. Identified Risks:

- Functional Heads while reviewing the updated Risk Register shall identify the Key Risks (along with the mitigation plan) for the purpose of reporting to CRO on a half-yearly basis. This report to CRO shall also indicate any Policy deviations, failure of existing mitigation plans and other major issues, if any, faced during the period.
- CRO shall review the Report of the Functional Head and shall identify the Top Priority Risks (along with the mitigation plan), in consultation with Functional Head and under the guidance of CEO, for the purpose of reporting to RMC on a Half yearly basis. This report to RMC shall also indicate any Policy deviations, failure of existing control measures and other major issues, if any, faced during the period.
- RMC shall review the Report of CRO and suggest directions, if required. Further it shall also escalate Top Priority Risks, etc. as deemed fit, to the Audit Committee and Board annually or earlier if need arises.
- Audit Committee and Board shall review the RMC's Report and suggest directions, if required.

The CRO shall communicate the directions of RMC/AC/BoD, if any, to Functional Heads.

B. Status of Implementation of Mitigation Plans:

- The status of implementation of the approved Mitigation plans shall be reviewed by the Functional Heads and reported to CRO on a half-yearly basis.

- 6. Re-visit Risk Categorization:** Functional Heads shall re-visit the categorization of risks into Low, Medium and High risk annually or earlier if need arises.

9. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Roles and responsibilities for each member within the Risk Management Organization Structure shall be as below:

Board of Directors

- Approve and review the Risk Management Policy
- Oversee the development and implementation of risk management framework and maintain an adequate monitoring and reporting mechanism.
- Give directions to RMC on Top Priority risks identified and its mitigation plan.

Audit Committee

- Review adequacy and effectiveness of business risk management
- Determine and review DBL's risk appetite
- Review and approve (internal and external) audit plans
- Monitor business risk reporting
- Evaluate internal financial controls systems

Risk Management Committee (RMC)

- Review and recommend the Risk Management Policy of the Company
- Recommend DBL's risk appetite
- Review Top Priority Risks, etc. escalated by CRO and suggest directions, if required and escalate the same to the Board and Audit Committee, as deemed fit.
- Ensure ongoing review & compliance of the Risk Management Policy
- Ensure continuous improvement in Risk Management Framework to ensure global best practices.
- Hold meetings on a half yearly basis or as frequently as required.

Chief Risk Officer (CRO)

- Identification of macro-economic Risks and appropriate communication thereof
- Review the report(s) of Functional Head(s) and prepare the Report for the purpose of reporting to RMC
- Ensure communication of directions of RMC/Board to all concerned & monitor actions being taken.
- Ensure that Risk Management Framework achieves its objectives
- Keep track of global best practices for continual improvement
- Ensure necessary training programs are carried out based on the training needs identified by Functional Heads.

Functional Heads

- Identification of macro-economic/ industry/project risks
- Carry out Risk Assessment of identified risks
- Monitor Mitigation Plans and report the status to the CRO on a half-yearly basis
- Review and update the risk registers
- Identify Key risks (alongwith mitigation plans) and prepare a report for CRO on a half-yearly basis
- Ensure that Risk management policy as laid down hereunder is implemented in spirit at their respective location.

10. MEETINGS

Meetings	Frequency
Board of Directors and Risk Management Committee	Annually or earlier if need arises
Audit Committee, Risk Management Committee and Chief Risk Officer	Half-yearly
Chief Risk Officer & Functional Heads	Half-yearly

Minutes of these meetings shall be documented.

11. REVIEW OF THE POLICY

The Policy shall be reviewed by RMC every year. However, it may be reviewed earlier if need arises for the same and / or under special circumstances. After review of RMC if there is a need for change, the revised Policy shall be recommended by RMC to the Board and Audit Committee for its approval.

12. DISTRIBUTION OF POLICY

Distribution of policy shall be controlled centrally in the organization. The policy shall be classified as 'Confidential' as it sets out in detail the procedures and policies to be followed by the company. All the Functional Heads and CRO, who shall be given access to this policy shall be instructed to keep the copies in their safe custody.

RISK APPETITE

Risk Exposure (rating) shall be the product of the **Impact and Likelihood of risk**

The factors (indicative) to be used to determine **Impact** shall be as follows:

Impact Criteria	Extreme (5)	Major (4)	Moderate (3)	Minor (2)	Insignificant (1)
Financial Risk					
Reduction in profitability or turnover	> 0.50%	0.40 - 0.50%	0.30 - 0.40%	0.20 - 0.30%	Up to 0.20%
Failure to detect fraud	> Rs. 0.50 Cr	Rs. 0.25 - 0.50 Cr	Rs. 0.10 - 0.25 Cr	Rs. 0.05 - 0.10 Cr	Up to 0.05 Cr
Reputational Risk					
Impact on Brand Image	National level long term negative media coverage	Regional level long term negative media coverage	Short term negative media coverage	Local reputation damage	Local media attention quickly remedied
Operational Risk					
Business Disruption	Cease of Operations / Business	More than 7 days	3 to 7 days	1 to 3 days	No disruption of critical operations and services
Impact due to delay in project completion/ penal/ LD charges	> Rs. 10 lakhs	Rs. 8 – 10 lakhs	Rs. 6 – 8 lakhs	Rs. 4 – 6 lakhs	Up to Rs. 4 lakhs
Strategic Risk					
Reduction in turnover	>10%	8 - 10%	6 - 8%	4 - 6%	Up to 4%
Regulatory / Legal / Compliance Risk					
Statutory Fine / Liability	> Rs. 20 lakhs	Rs. 16 – 20 lakhs	Rs. 12 - 16 lakhs	Rs. 8 - 12 lakhs	Up to Rs. 8 lakhs
Non-compliance impact	Prosecution, Significant fine & litigations	Regulatory intervention or Serious legal liability exposure	Regulatory warning or Moderate legal liability exposure	Minor legal liability exposure	Not Reportable to Regulator
Environment Risk					
Environmental damage	Major, irreparable environmental damage leading to stoppage of production	Environmental damage and show cause notice received from authorities	Environmental damage requiring mitigation	Repairable environmental damage	Minor environmental damage

Safety Risk					
Implication due to non-compliance to safety norms	Lost time injuries or fatalities to employees or Labour	Significant injury or fatality of one person	Outdoor patient medical treatment required for employees or Labour	No or minor injuries to employees or Labour	No injuries to employees or Labour
Investment Risk					
Negative Return on Investment	> Rs. 10 Cr	Rs. 8 to 10 Cr	Rs. 6 to 8 Cr	Rs. 4 to 6 Cr	Up to Rs. 4 Cr
Information Technology					
Information Security Breach	Leakage of highly sensitive information significantly impacting shareholder confidence/ share price	Leakage of key/sensitive non-public information	Leakage of non-key information which is not publicly available	-	-
Business Disruption due to IT failure	Cease of IT Operations	More than 7 days	3 to 7 days	1 to 3 days	No disruption of critical IT operations

The factors to be used to determine **likelihood** shall be as follows:

Probability Criteria	Most Probable (5)	Probable (4)	Possible (3)	Unlikely (2)	Rare (1)
Measurement	Certain to happen in the next 12 months	Highly likely to happen in the next 2-3 years	Likely to happen in the next 3 - 5 years	Unlikely to occur at any time in the foreseeable future	Theoretically possible, but not expected to occur

Risk Rating

The Risk Rating Matrix shall be as follows:

Extreme	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1	2	3	4	5
		Rare	Unlikely	Possible	Probable	Most Probable

Risk Rating = Likelihood*Impact

Risk Rating	Impact of Risk
1-7	Low
8-14	Medium
15-25	High