



**PRABHA ENERGY LIMITED**

**RISK MANAGEMENT POLICY**



# **RISK MANAGEMENT POLICY**

## **1. INTRODUCTION:**

Risk Management is an organisation-wide approach towards identification, assessment, communication and management of risk in a cost effective manner - a holistic approach to managing risk. Generally, this involves reviewing operations of the organisation, identifying potential threats to the organisation and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

This policy describes Prabha Energy Limited's risk management principles and expectations, applicable to all types of risk in all activities undertaken by or on behalf of the Company. It also outlines roles and responsibilities for the Board of Directors, the Managing Director, Functional heads and all staff.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and provisions of the Companies Act, 2013 ("the Act"), which requires the Company to lay down procedures about risk assessment and risk minimization.

## **2. STATUTORY REQUIREMENT:**

Risk Management is a key aspect of Corporate Governance principles which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and SEBI (Disclosure Obligations & Requirements) Regulations, 2015 have also incorporated certain provisions in relation to Risk Management.

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 of Directors which shall inter-alia include evaluation of risk management systems. In line with the above requirements, it is therefore necessary for the Company to frame and adopt a "Risk Management Policy" (this Policy).



## **RISK MANAGEMENT POLICY**

Schedule IV to the Companies Act, 2013 require Independent Directors to satisfy themselves that the systems of risk management are robust and defensible. SEBI (Disclosure Obligations & Requirements) Regulations, 2015 also require the Board to ensure that appropriate systems of control are in place, in particular systems for risk management.

In the light of aforesaid provisions, the Company has put in place a comprehensive framework of risk management policy.

- i. The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as “Committee”) who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.
- ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers/department heads. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day to day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

### **3. OBJECTIVES:**

- a. To establish a framework for the company’s risk management process and to ensure its implementation.
- b. To create and protect stakeholder value by minimizing threats or losses, and identify and maximize opportunities.
- c. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- d. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- e. To assure business growth with financial stability.

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk



## **RISK MANAGEMENT POLICY**

The Company majorly focuses on the following types of material risks:

- a. Commodity Risk
- b. Business Risk
- c. Foreign Exchange Risk
- d. Technological Risk
- e. Strategic Business Risk
- f. Operational Risk g. Legal and Regulatory Risk

### **4. RISK GOVERNANCE**

The primary responsibility for implementation of the risk management policy lies upon the Board of Directors. However, with a view to ensure effective and efficient implementation of the policies, the Board may delegate authority and responsibility on various departmental heads. The head of the respective departments within the Company shall be responsible for implementation of the risk management system as may be applicable to their areas of functioning and report to Board of Directors.

The Internal Audit function will support Company risk management through review of risk management practices and procedures to provide assurance on their efficiency. Internal Audit would audit the adherence to control systems, and their effectiveness and also flag off any new risks that may emerge during the Internal Audit reviews

The Audit Committee of the Board shall evaluate the risk management systems and the Board has total responsibility for total process of risk management in the organisation which includes framing, implementing and monitoring risk management plan.

### **5. RISK IDENTIFICATION**

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The following are the broad areas separate as External and Internal risk to determine the various risk(s), their probability and available data in the public domain.



## **RISK MANAGEMENT POLICY**

- **External Risk Factors**

- Competition
- Economic Conditions
- Market related risk
- Disaster Risks
- Legal risks, includes compliance with changes in local laws, rules and regulations
- Fluctuations in Foreign Exchange
- Inflation and Cost Structure
- Technological Obsolescence
- Environment related risks
- Political developments and likely major policies of the Government

- **Internal Risk Factors**

- Financial reporting risks
- Corporate accounting fraud
- Project Execution
- Local cultures and values
- Operational Efficiency
- Challenges to the quality of services
- Human Resource Management
- Contractual Compliance
- Environmental Management
- Delayed commissioning

### **6. RISK MANAGEMENT SYSTEM**

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately



## **RISK MANAGEMENT POLICY**

addresses the various risks associated with our Company's businesses. The Senior Management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

### **7. AMENDMENT**

The Board of Directors or any committee as may be identified by the Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time. Any subsequent amendment / modification in the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

\*\*\*\*\*