RISK MANAGEMENT POLICY

1. Preface:

Title	**RISK MANAGEMENT POLICY**
Version Number	**1.00**
Effective Date	**30.03.2015**
Authorised by	**Board of Directors**
Date of Previous version	**-**

2. Objective:

The policy aims to ensure resilience for sustainable growth and sound corporate governance by having an identified process of risk identification and management.

3. Applicability and Effective Date:

The policy applies to all units and functions of the company. The policy will come into force w.e.f 30.03.2015. This policy documents the present practices and will continue to capture practices which evolve

4. Policy:

JSW Infrastructure Ltd follows the Committee of Sponsoring Organisations (COSO) framework of Enterprise Risk Management (ERM) to classify, communicate, respond to risks and opportunities based on probability, frequency, impact, exposure and resultant vulnerability and ensure Resilience such that:

a) Intended risks, like for growth, are taken prudently so as to plan for the best and be prepared for the worst through de-risking strategies clearly defined priorities across strategic purposes, consistent rationale for resource allocation, stress testing on what if kind of scenarios on critical factors even if source is indirect, probability is uncertain and impact is immeasurable, better anticipation, flexibility and due diligence

b) Execution of decided plans is handled with action focus

c) Unintended risks like related to performance, operations, compliance, systems, incident, process and transaction are avoided, mitigated, transferred (like in insurance), shared (like through sub contracting) or probability, or impact thereof is reduced through tactical and executive management, code of conduct, competency building, policies, processes, inbuilt systems controls, MIS, internal audit reviews etc. No threshold limits are defined as objective will be to do the best possible

d) Knowable unknown risks in fast changing Volatile, Uncertain, Complex and Ambiguous (VUCA) conditions are managed through timely sensitisation of markets trends, shifts and stakeholders sentiments.

e) Adequate provision is made for not knowable unknown risks.

f) Overall risk exposure of present and future risks remains within Risk capacity.

5. Process:

All risks including investment risks be reviewed in the Board of Directors' meeting.

Risks related to operations, compliances and systems be reviewed in detail in the Audit Committee.

6. Risks, Impact and response strategies:

Type of Risk	Impact	Risk response strategies	Risk Owner
Macro and Strategic risks	1) Macro-Economic: Macro factors such as global GDP growth, shipping industry cyclicality etc can impact business and future plans of the company. 2) Government Policies: Changes in government policies like following can affect business: a) Development of new ports and Hinterland connectivity b) Eco system around the ports c) Export/imports policies affecting the volume of business. 3) Business Dynamics:	In-house research, reports of specialized agencies and interactions with all concerned help track macro environment, government policies, competition etc. so as to take prudent and timely decision.	CEO

Type of Risk	Impact	Risk response strategies	Risk Owner
	Competition from upcoming new private sector ports can affect the revenue and profitability of the company. 4) Strategy: Not identifying right opportunities at the right time and imprudent investment can affect growth and profitability. Concentration of business with JSW group can cause dependency risk.		
Projects	Time and cost overruns due to: - Gap in co-ordination and monitoring of the project. - Delay in government/ other regulatory clearances like for land acquisition, CRZ Approval, environment, state maritime board and for hinterland connectivity - Fund availability. - Delay from vendor end	Company de-risks by - Strong co-ordination team and use of projects software. Timely financial closure. Selection of capable vendors and continuous follow up. Liaising with government for timely clearance.	Head – Projects.
Operations and maintenance	Non-fulfillment of obligations by JSW infrastructure in relation to operations and incidental activities and mtce of earthmoving and material handling equipments and obligations of operating companies on minimum qty, mtce of major equipments etc can affect performance	Review of the risks affecting each other	Plant Heads

Type of Risk	Impact	Risk response strategies	Risk Owner
Reputation, governance and values	Reputation of the company may be affected by- 1) Poor corporate governance- inadequate / ineffective controls which may give rise to fraud, negligence etc 2) Violation of law affecting reputation.	Company de-risks by- 1) Robust corporate governance practice, code of conduct 2) Effective systems for compliance	CEO
Finance- a) Funding, b) Liquidity, c) Credit and d) Volatility	Finance can be affected by- 1) Market sentiments and norms setting limits on funding 2) Business risks affecting volume, margins and working capital 3) Increased operational cost, interest, unplanned expenditure or bunching of payments 4) Customer financials affecting collection 5) Systemic weakness in commodity and financial markets causing volatility in prices, interest and exchange rates	Company de-risks by – 1) Effective stakeholder management and tracking of external events 2) Regularly reviewing financing, hedging, pricing policy and exposure limits 3) Managing third party risks through due diligence, performance tracking and business scenario tracking 4) Effective monitoring of internal performance and cash flows through internal meetings and information and communication systems 5) Standby finance sources.	Head- finance

Type of Risk	Impact	Risk response strategies	Risk Owner
Human Resource	Organisational Competency, culture and Performance are affected by: 1) Non availability or obsolescence of talent 2) Extent of institutionalisation of organisational learning, succession planning, leadership development and competency building 3) Manpower planning, placement, role definition or performance management.	Company de-risks by 1) Effective talent search process 2) Competitive compensation 3) Robust performance mgt. system to reward potential and initiative 4) Adequate training for leadership and specific competency	Head-HR
Systems – a) Business alignment, b) Controls, c) Reporting and d) compliance	Judicious balance is necessary between business enabling and control systems to ensure – 1) Business enablement to ensure organisational learning with timely and right sensitisation and insight which is available to right person at right time to facilitate strategy, plans, prudent decisions, actions and monitoring 2) Controls to minimise frauds, leakage of confidential information and attack on systems 3) Correct financial reporting in compliance with regulations, standards, disclosure requirements and prudent basis of valuation and estimates like that for contingent liabilities	Company de-risks by – 1) Aligning IT strategy with business strategy to take care of future needs and leverage new technologies. 2) Inbuilt systems controls IT security and internal audit 3) Standards to ensure high standards of governance supported by effective systems, clearly laid down roles. Estimates for contingencies are based on sound judgment considering circumstances and available guidance	Plant Head / Head-IT