

## RISK MANAGEMENT POLICY

### I Risk Management Committee (RMC):

(1) The Board has constituted a Risk Management Committee (RMC). It consists of the following Members:-

- i) Mr. Sidharth Prasad : Independent Director-Chairman
- ii) Mr. Aditya Puri : Managing Director-Member
- iii) Mr. Sanjay Gulati : Whole Time Director-Member

The Company Secretary of the Company shall act as Secretary of the Risk Management Committee.

(2) The Board has defined the roles and responsibilities of the RMC as under:-

- (a) To ensure that appropriate methodology, plans, processes and systems to monitor and evaluate risks associated with the business of the Company, including taking of adequate insurance policies to cover the various risks are in place;
- (b) To apprise the Board on cyber-security issues from time to time;
- (c) To formulate the Risk Management Policy, which shall include:
  - (i) A framework for identification of internal and external risks specifically faced by the listed entity in particular including financial, operational, sectoral, sustainability (particularly, environmental, social and governance related risks), information, cyber security risks, or any other risk as may be determined by the Committee.
  - (ii) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (iii) Business continuity plan.
- (d) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (e) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- (f) To keep the Board of Directors informed about the nature and content of its discussions, recommendations, and actions to be taken;

- (g) The appointment, removal, and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

**II Risk Management Policy (RMP):**

**A) Regulatory Requirements:**

**A (1) Companies Act, 2013:**

- (a) Section 134(3) (n) requires that 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, is to be attached with the Board’s Report.

**A (2) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

- (a) Regulation 21(4) read with para C (1) of Part D of Schedule II requires that RMC to formulate a detailed RMP which shall include: -  
A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly environment, social and governance related risks), information, cyber security risks, or any other risks as may be determined by the Committee.

(b) Measures for risk mitigation including systems and process for internal control of identified risks.

(c) Business Continuity Plan.

**B) Risk Management Policy:**

The Committee has identified internal and external risks. The risks along with policy and mitigation plan are listed below: -

**1) Financial Risks:**

<b>S.No</b>	<b>Risks</b>	<b>Policy</b>	<b>Mitigation Plan</b>
A	<b>Financial Requirements</b>	Company should have adequate credit facilities, both long term and short term, from a consortium of banks.	CFO of the company analyses the funds/credit facilities requirement, both long term and short term. On the basis of analysis and discussion with Business Heads, necessary steps, including arranging both fund based and non-fund based limits, are taken.  Return of Bank Guarantees on expiry and reduction of Bank Guarantees are strictly followed.

B	<b>Foreign Exchange Fluctuations</b>	The existing Foreign Exchange Risk Management Policy provides for 100% hedge.	The Company takes forward cover for all underlying import and export transactions.
C	<b>Financial Leverage</b>	Financial Ratios and Debt Equity Ratios, other covenants as per agreements with banks and financial institutions to be maintained.	CFO, on ongoing basis, monitors these ratios, so that there is no penal interest or risk of recall of credit facilities.
D	<b>Change in Interest Rates</b>	Policy to minimise interest burden and avoid fluctuations.	Loans are taken and managed where fluctuation levels are minimum.
E	<b>Blockage of Funds - Delay in realisation of sales</b>	Policy is to: (i) assess credit worthiness of customers before booking orders; and (ii) monitoring of realisation as per payment terms.	Assessment of customer's credit worthiness/ financial arrangements, credit rating is done before booking the order by obtaining information through various channels.  Recovery of outstandings is monitored regularly at the highest level.
F	<b>Cashflow Management</b>	To ensure incurring expenditure within the budgets and to avoid overruns.	There are office orders and sanctioning procedure limiting sanctioning powers of various officers for incurring expenses. In addition, there is a procedure of pre-audit of Purchase Orders. Finance & Accounts Department has a check list for clearing any payment transaction. Cash transactions are not permitted.
G	<b>Taxation Laws, Accounting Practices &amp; Standards, Companies Act, and SEBI Act &amp; Regulations</b>	Policy for timely compliance of taxation laws and other laws.	(i) The company is complying with Income Tax/GST Acts & Rules. Taxes are deposited and returns are filed within the time prescribed.  (ii) Compliance Officer ensures filing of all documents, returns, disclosures as per Companies Act, SEBI Act and Rules & Regulations

2. **Operational -Manufacturing/Project Execution:**

S.No	Risks	Policy	Mitigation Plan
A	<b>Bill of Material (BoM) &amp; Procurement</b>	To ensure required raw materials, components at economical prices and to ensure convergence as per schedule of completion and in sequential manner.	<ul style="list-style-type: none"> <li>(i) Timely release of BoM/Purchase Requisitions.</li> <li>(ii) Monitoring by Senior Management keeping in view the production/execution plan at regular intervals.</li> <li>(iii) To find alternate sources for the items where there are limited vendors.</li> <li>(iv) Advance action for procurement of single source items and long lead items.</li> </ul>
B	<b>Costs of Manufacturing/ Execution</b>	To invite competitive bids, have detailed negotiations, purchase within the budgets to ensure budgeted margin.	<ul style="list-style-type: none"> <li>(i) Monitoring of cost incurred/to be incurred to control costs and margin.</li> <li>(ii) Derive savings by better negotiation, value engineering and standardization.</li> </ul>

C	<b>Execution/Manufacturing, Technical Capability, Competent Manpower and adequate Capacity and Sources to manufacture and to execute</b>	Policy is to ensure all resources such as technical, manpower, tools and tackles to manufacture products and to execute projects.	<p>In the risk review meetings before booking or bidding for orders, technical risks and performance issues are analysed. In many cases, bids are submitted after tying up with the technology partner or consortium partner, wherever required.</p> <p>Competent manpower is retained by motivation, adequate and competitive compensation, job rotation, and giving higher responsibility. Training is imparted to create multiple skills. As and when required, outsourcing and employing workers on contract basis is done, and limiting our scope to the important and proprietary work.</p> <p>Schedule is reviewed from time to time by the Management to ensure delivery as per contract.</p>
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3. **Sectoral Risks:**

S.No	Risks	Policy	Mitigation Plan
A	<b>Economic-Financial situation of sectors</b>	Policy is to analyse economic-financial situation of the Sector and Government Policies & Regulations applicable to each sector.	While making annual budgets economic-financial situation is assessed by taking note of budget allocation by Union and States, demand/capacity, and expected investment in sectors applicable to us, e.g. energy, oil & gas, infrastructure, sugar, etc.
B	<b>Government Policies / Regulations</b>		Government Policies / Regulations applicable to relevant sectors are taken into account, for example ethanol blending programme, renewable energy program.

<b>S.No</b>	<b>Risks</b>	<b>Policy</b>	<b>Mitigation Plan</b>
4	<b>Continuity of Business</b>	Policy is to ensure continuity as far as practical under any situation like disaster and other unforeseen circumstances.	Management, from time to time, take steps for sustainability and continuity of business, e.g. company resorted to work from home during Covid. It also undertakes timely diversification and upgradation of technology, server and data backup. Technology Committee, consisting of Officers, Whole Time Directors and Managing Director appraise and review technological developments in our products and project offerings and our customer industries. The Committee also identify new business opportunity with focus on new technologies.
5	<b>Environment</b>	Policy to ensure environment & complying applicable norms.	All regulations ensuring environmental sustainability, particularly controlling of Air Pollution, Water Pollution, are complied with.  Company has installed Solar Power Plants in the factories for clean environment
6	<b>Social</b>	Policy to meet social obligations.	(i) Corporate Social Responsibility Committee makes expenditure on activities and programmes provided under the Companies Act.  (ii) Company has provided facilities for apprentice training.  (iii) Social meets/games are organized in facilities at Yamunanagar and other places.
7	<b>Governance</b>	Policy is to govern with keeping interest of all the Stakeholders e.g. Investors, Workers, etc.	(i) Company believes in ensuring interest of all the stakeholders by requisite Corporate Governance and making disclosure of decisions and important information in accordance with applicable regulations.  (ii) Policies, Annual Reports, Quarterly & Annual Results, Presentations and Transcript of Investors' Meet, and other documents are uploaded on website of Company as well as Stock Exchanges.

			(iii) Audit Committee, Corporate Social Responsibility Committee, Risk Management Committee, Stakeholders Relationship and Grievances Committee, constituted by the Board to oversee governance.
8	<b>Cyber Security</b>	Policy is to monitor Cyber risks on ongoing basis.	(i) IT Department maintains and upgrades Systems on a continuous basis.  (ii) Password protection is provided at different levels to ensure data integrity.  (iii) Licensed Software are used.  (iv) Data security is ensured by having access control/ restrictions.

III **Insurance Policies:**

In order to transfer risks, Company has taken insurance policies, as per detail given in Annexure-I.

Officials engaged in insurance work should continue to consult experts and interact with insurance companies to cover further risks.

IV **Framework for Continuous Identification and Mitigation Plans:**

- The Risk Management Committee recommends that all the Business Heads constitute a Risk Management Council, to identify risks and suggest measures for risk mitigation including systems and processes for internal control of identified risks.
- A quarterly report be sent to the Managing Director/Whole Time Directors to oversee implementation and to evaluate the adequacy of risk management systems.
- I.T. Head is requested to list cyber-security issues from time to time and send report to the Whole Time Director on quarterly basis who will forward it to Risk Management Committee to apprise the Board.

V. **Review of Policy:**

- (1) The Risk Management Policy should be circulated to the Business Heads to make suggestions for review by the Risk Management Committee.

- (2) The Risk Management Committee will review the Policy, at least once in two years, taking into account suggestions and considering the changing industry dynamics and evaluating complicity.



Annexure-I

## **Risk Coverage being obtained as part of Risk Mitigation Measures in ISGEC 'Group'**

Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
1.	Erection All Risk Insurance / Contractor All Risk	Loss or Damage arising out of the Erection and Installation of Machinery, Plant, Civil Structure and Equipment. Policy also includes the coverage for Third-Party Liability, Surrounding Property, Earthquake, Design Defect, Terrorism, Fire, Theft, Flood, Storm, Riot & Strike etc.	Project Value + 10%	Reimbursement of Repair / Replacement Expenses
2.	Marine Transit Insurance	Covers the goods for any loss or damage while in-transit due to an accident, Fire, Lighting, Explosion, Derailment, General Average, Shortage, Collision, Theft etc.	Supply Value + 10%	Reimbursement of Repair / Replacement Expenses
3.	Professional Indemnity	Covers all sums which the insured Professional becomes legally liable to pay as damages to third party in respect of any error and/or omission on his/her part committed whilst rendering professional service. Policy also covers Bodily Injury & Property Damage due to Negligence, Rectification and Mitigation Expenses, Fraud and Dishonesty of an Employee.	Limit of Liability Opted ₹ 120 Crore	Compensation includes any Legal and Defense cost

Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
4.	Workmen Compensation (WC)	Legal liability coverage for compensation to employees/Workers for Bodily Injury, Death, Permanent and Partial Disablement caused due to Accidents arising out of and in course of employment.	Annual wages and Category of Worker/Employee	Quantum of Awards passed by WC commissioner
5.	Commercial General Liability	Legal Liability arising from 3 <sup>rd</sup> party for Bodily Injury or Property Damage and Personal Injury caused to them. Policy also covers Product Liability, Pollution Liability, Product Recall and Product Financial Loss.	Existing Limit of Liability Opted is ₹ 160 Crore	Compensation includes any Legal and Defense Cost
6.	Contractors Plant and Machinery Insurance	Loss or damage to Insured Plant & Machinery Equipment's due to an accident or by Fire, Flood, Earthquake and Terrorism, Riot and Strike, Theft and Burglary. Policy also covers 3 <sup>rd</sup> party Liability and surrounding Property.	Type of Equipment and Value of Equipment	Reimbursement of Repair / Replacement Expenses

Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
7	Fire and Burglary Policy of Warehouse and Ports	Loss or Damage to various Machinery Equipment, Parts and Accessories pertaining to different projects lying / stored at different Indian Sea Ports and CFS Godown due to Theft, Fire, Burglary, Storm, Riot, Explosion, Flood, Landslide Etc.	Cost of Material lying at Different Ports	Reimbursement of Repair / Replacement Expenses
8	Fidelity Guarantee	Provides cover against the Financial Loss suffered by the Insured as a result of Fraud/Dishonesty of Employees	₹ 10 Lacs each for 100 Employee posted at different Sites	Reimbursement of Direct Pecuniary Loss
9.	Directors & Officers Liability	Global cover covering all our JV's, Subsidiaries Companies including USA/Canada. <b>Automatic inclusion provision included in the Policy for future JV's &amp; Acquisitions</b> (excl. USA / Canada) <b>up to 35% of AOA</b> (anyone accident) whereas for USA/Canada, we need to request to the Insurer to include them in our Policy (may be by paying certain Premium for the same). Policy cover Legal liability including costs to defend any Civil and/or Criminal action against the Directors and/or Officers with Insurer's approval.	Limit of Liability opted is ₹ 150 Crore	As per award. Legal cost as approved.



Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
10.	<b>Family Floater Group Mediclaim Policy</b> covering with / without Parents	Covers medical costs arising out of hospitalization due to illness or an accident. Policy covers those Employees who have chosen to be part of this Policy and Paid the Premium to the Company.	With Parent and Without Parent Age and Sum Insured Opted between ₹ 2 Lakh to ₹10 Lakh	Reimbursement of actual (incl. Pre/Post) Hospitalization Expenses
11	Group Mediclaim Policy for Site related Officials (Employee only)	Covers Medical Costs arising out of Hospitalization due to an illness or an Accident.	Uniform Coverage of ₹ 5 Lakh each	Reimbursement of actual (incl. Pre/Post) Hospitalization Expenses
12.	Group Personal Accident	Covers an Accidental Bodily Injury, Death & Disablement to insured person	Equal to 36 Month's Basic Salary Or ₹ 100 Lac, whichever is less	Weekly benefits for the period of the absence & reimbursement of certain Medical Expenses.

Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
13.	Money in Safe	Covers Money kept in Safe at respective premises	Arranged as required/advised by respective official	As per Actual Claim/ admitted amount
14.	<b>Money in Transit</b> (within a specific radius as required)	Loss of money in transit occasioned by robbery, theft or any other fortuitous cause within a specific radius	Estimated money in transit	As per Claim submitted & accepted
15.	Business Travel Accident (Overseas Mediclaim Insurance) Policy	Accident & Sickness Medical expenses reimbursement including accident dental expense, Delayed Baggage, Loss of Baggage, Loss of Passports, Delayed Trip, Repatriation, Emergency Evacuation etc..	\$ 2.50 Lakh	Actual Claimed / admitted amount

Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
16.	Plate Glass (stand-alone) Insurance	Accidental breakage of and damage to glass on business premises	Replacement cost, as advised	As per Claim Amount submitted/ admitted
17.	Electronics Equipment Insurance (EEI)	Covers accidental loss or damage to various Electronic (except portable & mobile) Equipment	Replacement cost.	As per Claim Amount submitted/ admitted
18.	<b>Business Guard Commercial Policy</b> covering portable Equipment's like Laptop, I' Phone Mobile Phone Handset, Cameras & other contents	Worldwide coverage against Theft including Electrical & mechanical breakdown	Replacement value of all Assets/Contents.	As per Claim Amount submitted/ admitted

Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
19.	Machinery Breakdown Policy	All kinds of accidental Electrical & Mechanical breakdown at all our manufacturing locations.	As advised by concerned Deptt. / official	As per Claim Amount submitted/ admitted
20.	Motor Vehicles Insurance	Protection against accidental damage, Theft or Loss of the Vehicle	Insured's declared Value as accepted by Insurer	As per Claim Amount submitted/ admitted
21.	Employee Group Gratuity Policy with LIC of India	Statutory 'Gratuity' benefit payable to an Employee in case of death (subject to participation in the Policy & duly paid till date Premium).	Depends on the Salary of an Employee	Gratuity payable till the retirement age.



Sr.	Type of Policy	Scope of Cover	Determining Policy Value	Indemnification
22.	Unit / Location wise 'FIRE' & Burglary Policy for fixed Assets, Plants & Machineries, Buildings & Stocks	Loss or Damage due to accidental Fire, Burglary, Storm, Riot, Flood, Landslide Etc., to respective Plant & Machineries including Building, Furniture-Fixture & other contents etc.	<p><b>Approx. 1550 Crore</b></p> <p><b>Approx. as under:</b></p> <p>600 Crore - Work, YNR            310 Crore - IHZL, Dahej            185 Crore - ISGEC, Dahej            180 Crore - ISGEC, M/Nagar            140 Crore - Ratangarh - I            50 Crore - Ratangarh - II            60 Crore - Bawal            (Periodically reviewed &amp; updated for maintaining of adequacy of Insurance)</p>	As per Claim preferred/lodged & Admitted
23.	Cyber Insurance	Indemnifies the Insured from first party & 3 <sup>rd</sup> party (both) from losses arising due to data breach or other cyber events.	Limit of Liability i.e. ₹ 15 Crore	Basis of actual loss sustained
24.	Crime Insurance	Indemnifies the Insured for loss of money or securities due to committing of some type of crime either by employee (alone or in collusion) or third parties.	Limit of Liability i.e. ₹ 15 Crore	Basis of actual loss sustained