

# **INDOSOLAR LIMITED**

## **RISK MANAGEMENT POLICY**

### **BACKGROUND**

This document lays down the framework of Risk Management at Indosolar Limited (the Company) and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company. It is framed in accordance with section 134(3)(n) of the Companies Act 2013 and Clause 49 of the Listing Agreement.

### **DEFINITIONS**

#### **1. AUDIT COMMITTEE**

Audit Committee constituted under the provisions of Companies Act 2013 and Listing agreement.

#### **2. BOARD OF DIRECTORS OR BOARD**

In relation to a Company, means the collective body of Directors of the Company.

#### **3. POLICY**

Policy means Risk Management Policy.

#### **4. RISK**

Risks are events or conditions that may occur and whose occurrence, if it does take place, has harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

## **5. RISK MANAGEMENT**

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

## **6. RISK STRATEGY**

The Risk Strategy defines the Company's standpoint towards dealing with various risks associated with the business. It includes the Company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the Company.

## **7. RISK ASSESSMENT**

Risk Assessment is defined as the overall process of risk analysis and evaluation.

## **8. RISK ESTIMATION**

Risk Estimation is the process of quantification of risks.

## **9. RISK TOLERANCE/ RISK APPETITE**

Risk tolerance/ Risk appetite indicates the maximum quantum of risk which the Company is willing to take as determined from time to time in accordance with the Risk Strategy of the Company.

## **10. RISK DESCRIPTION**

A Risk Description is a comprehensive collection of information about a particular risk recorded in a structured manner.

## **OBJECTIVE**

The objective of Risk Management at Indosolar is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise

wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

### **Primary Objectives**

The primary objectives of the risk management system at the Company are to ensure:

- i. all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- ii. business decisions throughout the Company appropriately balance the risk and reward trade-off;
- iii. regulatory compliance and integrity in reporting is achieved; and
- iv. senior management, the Board and investors understand the risk profile of the Company.

### **Other Objectives**

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed.
2. To establish a framework for the company's risk management process and to ensure company-wide effective implementation.
3. To ensure systematic and uniform assessment of risks related with construction projects and operational power stations.
4. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
5. To assure business growth with financial stability.

### **RISK MANAGEMENT POLICY AND ITS PROCEDURE**

In order to fulfill the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

## **SCOPE AND EXTENT OF APPLICATION**

This policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the Company and events outside the Company which have a bearing on the Company's business.

The policy shall operate in conjunction with other business and operating/ administrative policies.

## **ROLES AND RESPONSIBILITIES OF BOARD**

1. The Board will review the risk management policies and systems periodically.
2. The Managing Director and Chief Financial Officer will be responsible for ensuring that the risk management system is established, implemented and maintained in accordance with this policy.

## **ROLES AND RESPONSIBILITIES OF AUDIT COMMITTEE**

The Audit Committee shall evaluate the Risk Management Systems on Continual Basis.

## **RISK ASSESSMENT**

The Risk Assessment process covers the following steps:

### **Identification and Categorization of Risk**

The Board is responsible for the oversight of the Company's risk management and control framework.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Risks can be broadly classified as below:

### **1.Strategic Risk:**

Includes the range of external events and trends (like Government policy, competition, court rulings or a change in stakeholder requirements) that can adversely impact the Company's strategic growth trajectory and destroy shareholder value.

### **2. Business Risk:**

Includes the risks associated specifically with the Company and having an adverse impact on the Company's capability to execute activities critical for business growth, thereby affecting its near-term performance

### **3. Operational Risk:**

Includes the risks associated with operational uncertainties like unpredictable changes in water levels, force majeure events like floods, affecting operations, internal risks like, attrition, etc.

In line with the objectives, the risk management system covers:

- (i) Operational risk;
- (ii) Financial reporting;
- (iii) Compliance / regulations; and
- (iv) System/IT process risk.

## **RISK MONITORING**

Arrangements put in place by the Board to monitor risk management include:

- (i) quarterly reporting to the Board in respect of operations and the financial position of the Company;
- (ii) quarterly preparation of forecasts;
- (iii) circulate minutes of Audit Committee Meetings to the Board and the Chairman of Committee.

## **RISK ESTIMATION**

In this process, the quantitative, semi-quantitative or qualitative techniques are used to estimate the level of impact of risks to the Company.

The suggested ratings for the risks are provided below:

**1. Rating 4 (Devastating) -**

Significant stakeholder concern/ Significant impact on strategy or operational activities

**2. Rating 3 (Major) -**

Major stakeholder concern/ Major impact on strategy or operational activities

**3. Rating 2 (Tolerable) –**

Moderate stakeholder concern/ Moderate impact on strategy or operational activities

**4. Rating 1 (Minor) –**

Minor stakeholder concern/ Minor impact on strategy or operational activities

**MATERIAL BUSINESS RISKS & REPORTING**

Given the nature of the Company's business, it is subject to general risks and certain specific risks. Some of these risks include but are not limited to the following:

- (i) liquidity risk
- (ii) currency price volatility
- (iii) economic and political uncertainties
- (iv) operating risks
- (v) loss of key personnel
- (vi) environmental risks
- (vii) reliance on strategic partners
- (viii) exploration success
- (ix) capital requirements
- (x) competitor risk

The analysis and evaluation criteria are used to continually assess the impact of risks upon the Company's business objectives. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of internal and external risk profile of the Company.

The Company's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. This process will allow management to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value.

## **INTEGRITY OF FINANCIAL REPORTING**

The Company's Chief Executive Officer and Chief Financial Officer (or equivalent) are required to report in writing to the Board that:

- (i) the financial statements of the Company present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- (ii) the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (iii) the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

## **RISK STRATEGY**

The risk mitigation can be planned using the following key strategies:

### **1. Risk Avoidance:**

By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

### **2. Risk Transfer:**

Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

### **3. Risk Reduction:**

Employing methods/ solutions that reduce the severity of the loss.

#### **4. Risk Retention:**

Accepting the loss when it occurs. Risk retention is a viable strategy for small 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.

### **MAINTENANCE OF RISK MANAGEMENT SYSTEM**

#### **Evaluation and Control**

- a) Risks will be ranked in accordance with their likely impact.
- b) The acceptability of each identified risk will be assessed.
- c) Proposed actions to eliminate, reduce or manage each material risk will be considered and agreed.
- d) Responsibilities for the management of each risk will be assigned to appropriate managers.

#### **Both Historical and Current data needs to be collected**

Historical data tracks actual performance against target, identifies trends, correlate results and forecasts performance. Historical data also provides early warning signals concerning potential risk-related events.

Current data gives management a real time view of risks inherent in a process, function or unit.

### **APPROVAL OF THE POLICY**

The Board will be the approving authority for the Company's overall Risk Management System.

The Board will, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

### **REVIEW OF THE POLICY**



The policy will be the guiding document for risk management at Indosolar and will be reviewed by Board as and when required due to the changes in the risk management regulations/ standards/ best practices as appropriate.