

SHIPPING CORPORATION OF INDIA LAND AND ASSETS LIMITED

Risk Management Policy

[As duly approved by the Board of Directors in its Meeting held on 08.05.2023]

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INTRODUCTION

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improve the governance practices across the activities of Shipping Corporation of India Land and Assets Limited (the Company). Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

With the vision to integrate risk management with the overall strategic and operational practices, a Risk Management Framework has been established by Shipping Corporation of India Land and Assets Limited, as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

POLICY STATEMENT

SCILAL is committed to develop an integrated Risk Management Framework:

- To achieve the strategic objective while ensuring appropriate management of risks
- To ensure protection of stake holders value
- To strive towards strengthening the Risk Management System through continuous learning & improvement

Every employee of the Company is recognized as having role in risk management for identification of risk to treatment and shall be invited & encouraged to participate in the process. The Audit Committee and the Board may review the policy and procedures periodically.

1. OBJECTIVE OF POLICY

The Company is prone to inherent business risks. The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

This policy is in line with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, (hereinafter referred as “LODR”), which requires the Company to lay down procedures

for risk assessment and risk minimization.

The specific objectives of the Risk Management Policy are:

- To help the decision makers of the organization explicitly take account of uncertainty, the nature of that uncertainty, and work towards a solution to address it
- To ensure that all the current and expected risk exposures of the organization are identified, qualitatively and quantitatively evaluated, analyzed and appropriately managed
- To enable compliance with the relevant legal and regulatory requirements and international norms

2. SCOPE OF THE POLICY

The policy guidelines are devised in the context of the present business profile, future growth objectives and new business endeavors/ services that may be necessary to achieve the goals & the emerging global standards & best practices amongst the comparable organizations. This policy covers all the events with in the company & events outside the company which possibly might have a bearing on the company's business.

3. DEFINITIONS

"**Audit Committee**" means Committee of Board of Directors of the Company constituted under provisions of Section 177 of the Companies Act, 2013 read with Regulation 18 of the LODR.

"**Board**" means Board of Directors of the Company

"**Company**" means Shipping Corporation of India Land and Assets Limited

"**Risk**" is defined as the chance of a future event or situation happening that will have an impact upon company's objective favorably or unfavorably. It is measured in terms of consequence and likelihood.

"**Risk Management**" encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

"**Risk Management Committee**" means a Committee constituted under Regulation 21 of the LODR.

4. RISK APPETITE

A critical element of the Company's Risk Management Framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives. The key determinants of risk appetite are as follows:

- (i) shareholder and investor preferences and expectations;
- (ii) expected business performance (return on capital);
- (iii) the capital needed to support risk taking;

- (iv) the culture of the organisation;
- (v) management experience along with risk and control management skills;
- (vi) longer term strategic priorities.

Risk appetite is communicated through the Company's strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

5. RISK MANAGEMENT FRAMEWORK

Risk management adds value to the organization and its stakeholders through supporting the organization's objectives by improving decision making, planning and prioritization by comprehensive and structured understanding of business activity, volatility and project opportunity.

It will provide a framework that enables future activity to take place in a consistent and controlled manner. The framework will help in creating an environment in which risk management is consistently practiced across the Company and where Management can take informed decisions.

The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow managing risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met. The Risk identification, assessment and analysis framework may be based on processes identified in the **Annexure I to V** as appropriate.

Annex I – Risk Management Steps

Annex II – Risk Handling Decision Flow

Annex III – Risk Assessment Cube

Annex IV – Likelihood of Risks

Annex V – Format of Risk Identification and Assessment

The Company's approach to risk management is summarized as below:

1.1. Identification of risks

To ensure key risks are identified, the Company:

- a) Defines the risks in context of the Company's strategy. Use brainstorming technique;
- b) documents risk profiles, including a description of the material risks; and
- c) regularly reviews and updates the risk profiles
- d) Create a What-if scenario of uncertain events that can impact the planned results positively or negatively.

1.2. Assessment of risks

The Risk assessment methodology shall include:

- a) collection of information;
- b) identification of major risks;
- c) rating of each risk on the basis of;
 - Consequence
 - Exposure
 - Probability
- d) prioritization of risks;
- e) function-wise exercise on risk identification, risk rating, control;
 - function-wise setting the level of responsibility and accountability.

1.3. Measurement and control

Identified risks are then analyzed and the manner in which the risks are to be managed and controlled are then determined and agreed. The generally accepted options are;

- a) accepting the risk (where it is assessed that the risk is acceptable and where avoiding the risk presents a greater risk through lost opportunity);
- b) managing the risk (through controls and procedures);
- c) avoiding the risk (through stopping the activity);
- d) transferring the risk (through outsourcing arrangements);
- e) financing the risk (through insurance arrangements).

1.4. Continuous assessment

The Company's Risk Management Framework requires continuing cycle of implementing, monitoring, reviewing and managing the risk management processes.

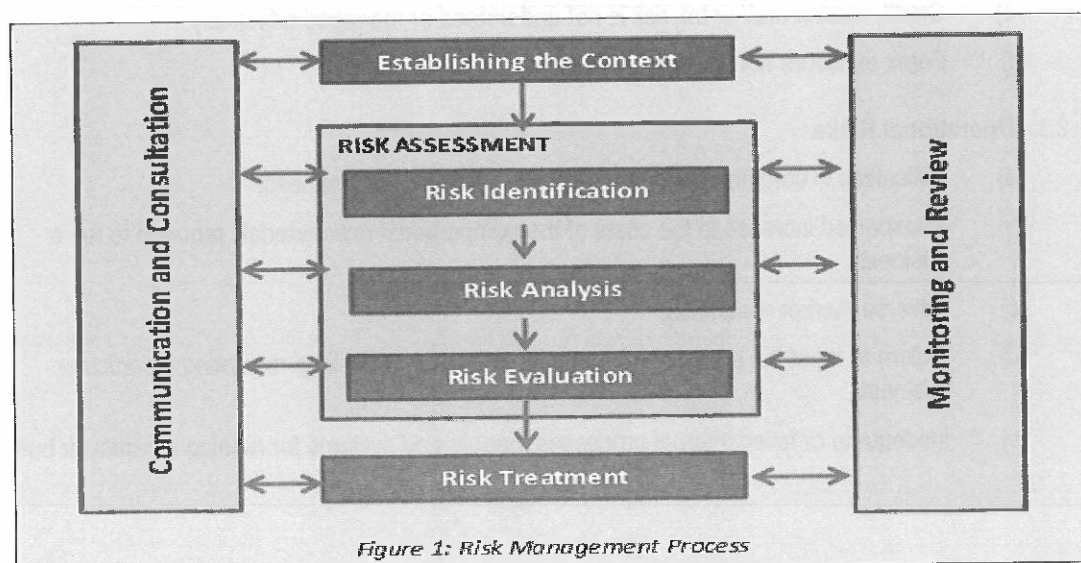
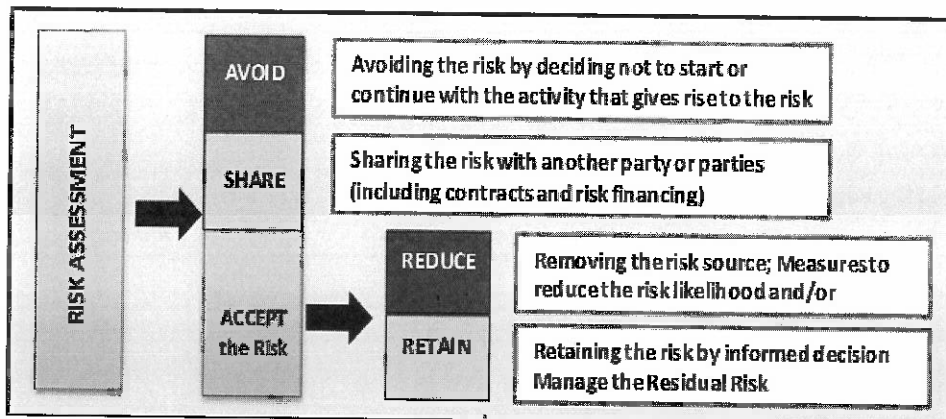


Figure 1: Risk Management Process



2. RISK PROFILE

The identification and effective management of risks is critical in achieving strategic and business objectives of the Company. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

2.1. Strategic Risks

Lack of responsiveness to the changing economic or market conditions, including commodity prices and exchange rates, that impact the Company's operations;

- a) Ineffective or poor strategy developed;
- b) Ineffective execution of strategy.

2.2. Financial Risks

- a) Financial performance does not meet expectations;
- b) Capital is not effectively utilised or managed;
- c) Cash flow is inadequate to meet financial obligations;
- d) Financial results are incorrectly accounted for or disclosed; and
- e) Credit, market and/ or tax risk is not understood or managed effectively.
- f) Forex exposure not adequately covered.

2.3. Operational Risks

- a) Difficulties in commissioning and operating a particular business;
- b) Unexpected increase in the costs of the components/ raw materials required to run a business;
- c) Adverse market conditions;
- d) Failure to meet the expenditure commitments on prospecting/ marketing a particular business;
- e) Inadequate or failed internal processes, people and systems for running a particular business.

2.4. Investment Risks

- a) Failure to provide expected returns for defined objectives and risk such as under-performing to the stated objectives and/ or benchmarks.

2.5. People's Risk

- a) Inability to attract and retain quality people;
- b) Inadequate succession planning;
- c) Inappropriate work culture & ethics;
- d) Inefficient whistle blower mechanism
- e) Inappropriate policy for woman safety at work place.
- f) Inadequate motivational programmes and;
- g) Inadequate upgradation in terms of training and skills

2.6. Legal and Regulatory Risks

- a) Legal/ Commercial rights and obligations are not clearly defined or misunderstood; and
- b) Commercial interests not adequately protected by legal agreements.

2.7. Information Systems

- a) Temporary failure of Hardware/ software and/ or Power.

2.8. Compliance Risks

- a) Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

3. BUSINESS CONTINUITY PLAN

Business Continuity Plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

Company shall have well documented Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Risk Management Committee.

4. RISK MANAGEMENT ORGANISATION STRUCTURE (GOVERNANCE STRUCTURE)

The risk management process has to be supported by a risk management structure which primarily comprises of:

- Team structure of the Risk Management Function
- Roles and Responsibilities

The Company's Risk Management Framework is supported by the Board of Directors, Management, the

Audit Committee and the Risk Management Committee.

4.1. Board of Directors

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company;
- Ensure that the appropriate systems for risk management are in place;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks, financial risks, operational risks, investment risks, people's risk, legal and regulatory risks & compliance risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms.

4.2. Management

- Management is responsible for monitoring and whether appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met;
- To assist the Board in discharging its responsibility in relation to risk management;
- When considering the Audit Committee's review of financial reports, the Board receives a written statement, signed by the Chairman and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks;
- Reporting to the Board of Directors shall be the consolidated risks and mitigation strategies on a half yearly basis.

4.3. Audit Committee

- The Committee is delegated with responsibilities in relation to risk management and the financial reporting process of the Company;
- The Committee shall be responsible for evaluation of risk management systems.

- The Committee shall oversee the risk management and Internal Control arrangements and shall evaluate the risk management systems of the Company.

4.4. Risk Management Committee

- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

5. PUBLICATION OF POLICY

This Policy will be available on the Company's website and the key features will be published in the annual report.

6. AMENDMENT TO POLICY

Any subsequent notification, circular, guidelines or amendments in the following shall forthwith be implemented by the Company and consequent changes in this Policy shall be carried out with approval from Chairperson & Managing Director of SCILAL and be communicated on the relevant platform:

- The SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015,
- The Companies Act, 2013 and rules made there under
- Any other statutory or regulatory law.

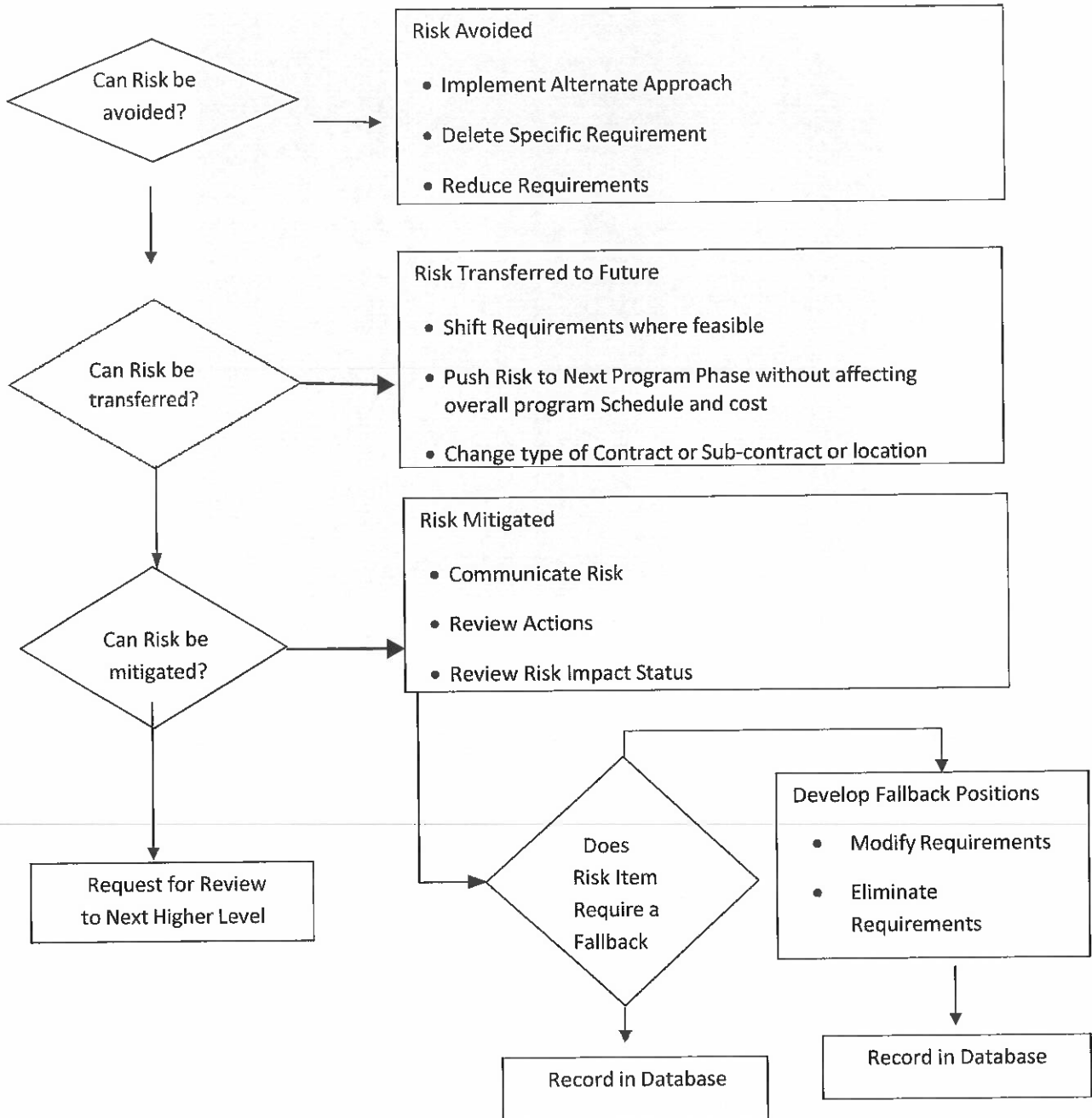
Provided the Board is kept informed about the said amendment at the first Board Meeting held after such amendment.

Any amendment for the reasons other than those mentioned above shall need approval by the Board of Directors.

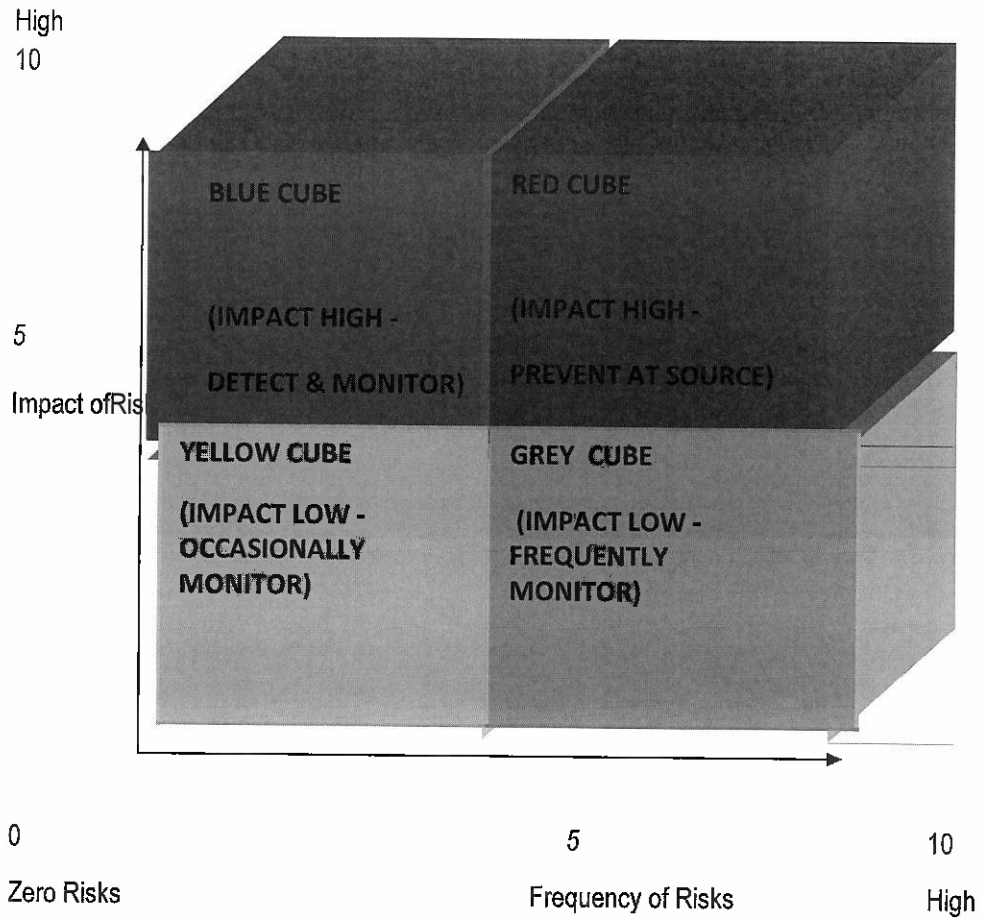
RISK MANAGEMENT STEPS

<u>Steps</u>	<u>Procedure</u>	<u>Output</u>
1. Identify Risk events	<ol style="list-style-type: none"> 1. Take an appropriate planning time horizon. Use brainstorming technique and the following inputs. 2. Consider plans for the period and data from internal information and understanding of technical and management Processes, finance, HR and IR reports. 3. Include analysis of external technology, economy, business and political events and developments. 4. If possible obtain Expert judgment. 5. Create a What-if scenario of uncertain events that can impact the planned results positively or negatively. 	<ol style="list-style-type: none"> 1. A list of risk events and alternative likely scenarios 2. SWOT Analysis
2. Qualitative Risk Analysis	<ol style="list-style-type: none"> 1. Construct impact statements using the "If-Then" for each scenario. 2. Evaluate the likelihood of the events happening as low, medium and high. 3. Evaluate the impact of the event in terms of cost or delivery, or quality or business in terms of low, medium and high. 4. Prioritize the risks for actions. 	<ol style="list-style-type: none"> 1. Risk Register 2. Risk Cube 3. Risk Impact classification
3. Plan Risk responses	<ol style="list-style-type: none"> 1. Communicate the risks identified to the appropriate levels. Include in the proposal, where necessary. 2. Analyze and prepare the actions that will mitigate the likelihood of events or the impact of the risks. 3. Identify or obtain resources for taking the actions in a focused manner including the officer assigned for mitigating and reporting the same. 4. Communicate a review plan. Include the same in the proposal. 	<ol style="list-style-type: none"> 1. Risk Mitigation plan with responsibilities 2. Risk mitigation plan Report 3. Risk Review schedule and reporting structure
4. Monitor and Control	<ol style="list-style-type: none"> 1. Review reports and assess degree of risk mitigation. 2. Assess impact of reduced risk on costs, schedules, business, products, cash flow etc. 3. Close risk plans or scale up risk management. 4. Feedback lessons learnt for training. 	<ol style="list-style-type: none"> 1. Risk mitigation status 2. Closed risks register 3. Lessons learnt

RISK HANDLING DECISION FLOW



RISK ASSESSMENT CUBE



Likelihood of Risks

Sl. No.	Activity	How activities are prone to corruption (Corruption Risks)	Rating (Color Code of Risk Cube)	Suggested Mitigation Measures

Rating: Classify/ Rate the corruption risks into four Cubes based on parameters like frequency, if it happened what is impact in terms of cost to company, reputation damage, loss of customers and stakeholders confidence; ease of corruption in particular activity etc. Accordingly, risks will be classified into Cubes in which it falls, which will be the basis for arriving at Risk mitigation and Controls.

Risk Cube Rating	Types of Risks classified under the Cube
RED	Impact is high and hence prevent at source since it may affect business objectives
BLUE	Impact is high if it occurs, hence detect and ensure adequate monitoring. Frequency is low. But whenever it occurs impact is high.
GREY	Requires frequent monitoring Impact is low but frequency is high. If not controlled/ monitored it may move to 'cube red'.
YELLOW	Low level of monitoring and control.

Note: Use color code for Rating (example if type of risk falls under CUBE - RED, then put 'RED' under rating column against that corruption risk).

Format of Risk Identification and Assessment

Risk Description	Likelihood	Likely Impact Statement	Quantified Time/ Cost/ Other Impact	Risk Impact Level: High/ Medium/ low