

RISK MANAGEMENT POLICY

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1.INTRODUCTION

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the activities of Essar Securities 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.

2.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 Clause 49 (VI) of the Listing Agreement entered into with the Stock Exchanges, which requires the Company to lay down procedures for risk assessment and risk minimization.

3.DEFINITIONS

“**Audit Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement entered into with the Stock Exchanges and Companies Act, 2013.

“**Board**” means Board of Directors of the Company

“**Company**” means Essar Securities 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

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

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 to manage risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

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

1. Identification of risks

To ensure key risks are identified, The Company:

- defines the risks in context of the Company's strategy;
- documents risk profiles, including a description of the material risks; and
- regularly reviews and updates the risk profiles.

The Company's Risk Profile is summarised below.

2. Assessment of risks

The Risk assessment methodology shall include:

- collection of information;
- identification of major risks;
- rating of each risk on the basis of;

Consequence

Exposure

Probability

- prioritisation of risks;
- function-wise exercise on risk identification, risk rating, control;
- function-wise setting the level of responsibility and accountability.

3. Measurement and control

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

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

4. Continuous assessment

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

6. 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:

6.1 Strategic Risks

- Lack of responsiveness to the changing economic or market conditions, including commodity prices and exchange rates, that impact the Company's operations;
- Ineffective or poor strategy developed;
- Ineffective execution of strategy.

6.2 Financial Risks

- Financial performance does not meet expectations;
- Capital is not effectively utilised or managed;
- Cash flow is inadequate to meet financial obligations;
- Financial results are incorrectly accounted for or disclosed; and
- Credit, market and/or tax risk is not understood or managed effectively.

6.3 Operational Risks

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

6.4 Investment Risks

- Failure to provide expected returns for defined objectives and risk such as underperforming to the stated objectives and/or benchmarks.

6.5 People's Risk

- Inability to attract and retain quality people;
- Inadequate succession planning;
- Inappropriate work culture & ethics;
- Inefficient whistle blower mechanism and;
- Inappropriate policy for woman safety at work place.

6.6 Legal and Regulatory Risks

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

6.7 Compliance Risks

- Nonconformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

7 GOVERNANCE STRUCTURE

- The Company's Risk Management Framework is supported by the Board of Directors, Management and the Audit Committee.

7.1 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.

7.2 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 Managing Director 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 consolidated risks and mitigation strategies on a half yearly basis.

7.3 Audit Committee

- The Committee is delegated with responsibilities in relation to risk management and the financial reporting process of the Company;
- The Committee is also responsible for monitoring overall compliance with laws and regulations.

8. REVIEW OF THE POLICY

The Board will review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

9. PUBLICATION OF POLICY

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