

RISK MANAGEMENT POLICY
OF
UJAAS ENERGY LIMITED

1. INTRODUCTION:

The Board of Directors of Ujaas Energy Limited (Formerly known as M And B Switchgears Limited) ('the Company') has adopted the following policy and procedures with regard to Risk Management as defined below. The Board may review and amend this policy from time to time. This Policy will be applicable to the Company effective November 14, 2014.

2. OBJECTIVE:

The objective of the Risk Management Policy of the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. This Risk Management Policy is being applied in order to ensure that effective management of risks is an integral part of every employee's job. These include:

1. Providing a framework that enables future activities to take place in a consistent and controlled manner.
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
3. Contributing towards more efficient use/ allocation of the resources within the organization.
4. Protecting and enhancing assets and company image.
5. Reducing volatility in various areas of the business.
6. Developing and supporting people and knowledge base of the organization.
7. Optimizing operational efficiency.

3. DEFINITIONS:

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]

"Policy" means Risk Management Policy.

4. LEGAL FRAMEWORK:

In accordance with Section 134(3), a company is required to include 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

Further, Clause 49 of the Listing Agreement entered into between listed companies and the Stock Exchanges has been recently amended which, inter alia, provides for a mandatory requirement for all listed companies to establish a "Risk Management Policy" to institute appropriate systems of control including systems for risk management.

COMPANIES ACT, 2013:

1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include –

- 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.

2. Provisions of the Section 177(4)

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include, –

- (vii) evaluation of internal financial controls and risk management systems.

3. Schedule IV [Section 149(8)] - Code for Independent Directors

II. Role and functions:

The independent directors shall:

1. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct;
2. satisfy themselves on the integrity of financial information and that financial controls and **the systems of risk management** are robust and defensible;

CLAUSE 49 OF THE LISTING AGREEMENT:

1. As per Clause 49 (I) (D) (2), the Board should fulfill certain key functions, including:

- a. Reviewing and guiding corporate strategy, major plans of action, **risk policy**, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
- b. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for **risk management**, financial and operational control, and compliance with the law and relevant standards.

2. 49 (III) D. Role of Audit Committee

The role of the Audit Committee shall include the following:

11. Evaluation of internal financial controls and risk management systems;

3. 49 (VI). Risk Management

- A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- C. The company shall also constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

4. Information to be placed before Board of Directors

Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

5. RISK MANAGEMENT FRAMEWORK:

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

1. The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast

upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

2. The Audit Committee's role is to evaluate the risk management systems.

This policy shall complement the other policies of Ujaas Energy Limited in place e.g. Policy on materiality of Related Party Transactions and dealing with Related Party Transactions, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

6. BROAD PRINCIPLES:

The Board is required to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal including environmental, business, operational, financial and others. Communication of Risk Management Strategy to various levels of the management for effective implementation is essential.

7. IDENTIFICATION AND RISK ANALYSIS:

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Chairman and Managing Director of the Company along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Mr. Anurag Mundra, Jt. Managing Director & Chief Financial Officer (CFO) of the Company through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk Management Committee.

8. THE FOLLOWING STEPS TO BE TAKEN:

- **Risk identification:**

To identify organization's exposure to uncertainty, risks may be classified in the following:

1. Strategic
2. Operational
3. Financial
4. Hazard
5. Reputational
6. Regulatory

- **Risk Description:**

To display the identified risks in a structured format.

- **Risk Evaluation:**

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

- **Risk Estimation:**

Risk Estimation can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

- **Reporting**

- 1. Internal Reporting**

- a) Board of Directors
- b) c) Vertical Heads
- d) Individuals

- 2. External Reporting**

To communicate to the stakeholders on regular basis as part of Corporate Governance

9. GUIDELINES TO DEAL WITH THE RISKS:

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, Data on Production Planning, Materials Management, Sales & Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. A comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

10. BOARD APPROVAL:

The Action Plan and guidelines shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the risk management (including risk treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

11. RISK TREATMENT:

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to avoid or minimize the risk of the organization. Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

- a) Effective and efficient operations
- b) Effective Internal Controls
- c) Compliance with laws & regulations

Risk treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

12. ROLE OF BOARD OF DIRECTORS:

The Board of Directors of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy.

13. ROLE OF THE HEADS OF THE DEPARTMENTS:

Heads of Departments shall be responsible for implementation of the risk Management system as may be applicable to their respective areas of Functioning and report to the President of the Company.

14. APPLICABILITY:

This Policy applies to all areas of the Company's operations.

15. RESPONSIBILITY TO STAKEHOLDERS:

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's risk profile.

16. CONTINUOUS IMPROVEMENT:

The Company's risk management system is always evolving. It is an ongoing Process and it is recognized that the level and extent of the risk management System will evolve commensurate with the development and growth of the

Company's activities. The risk management system is a "living" system and the Documentation that supports it will be regularly reviewed and updated in Order to keep it close to the Company circumstances.

17. COMPLIANCE AND CONTROL:

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes which results in identifying, assessing and monitoring risk associated with Organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

18. REVIEW:

This policy shall evolve by review by the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

//The End //