VISVESVARAYA JALA NIGAM LIMITED

RISK MANAGEMENT POLICY OF VISVESVARAYA JALA NIGAM LIMITED (VJNL)

Preamble: Section 134 (3) of the Companies Act 2013 stipulates that there shall be attached to the (Financial) Statements laid before a Company in General Meeting, a report by the Board of Directors, which should include a statement indicating Development and implementation of a risk management policy for the Company including identification therein elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

In view of the above it has become expedient for the Company to lay down a Risk Management Policy for the Company.

1.1 Definitions

1.1.1 Risk
Risks are defined as events or conditions that when occurs negatively impacts the achievement of the organization's business objectives. The exposure of the Company to the consequences of uncertainty arising out of such occurrences constitutes a risk. Risks are also those which in the opinion of the Board of Directors of the Company may threaten the existence of the Company.

1.1.2 Risk Management
Risk Management of the Company includes the process of systematically identifying the elements of the risk, assessing it's impact on the objectives of the Company for which it is formed and also which may threaten the existence of the Company.

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

1.2 Objectives of the Policy
The key objective of the policy is to ensure sustainable continuity of the company by identifying, evaluating and resolving risks associated with the Company's main objectives for which it was formed. The policy aims at putting in place mechanisms to:

1.2.1. Identify, assess all the current and perceived future risk exposures of the Company and put in place mechanism to mitigate the risks.

1.2.2 To continuously review and identify non compliances to the applicable regulations and mitigate the risk of non-compliance.

1.3 Company means VISVESVARAYA JALA NIGAM LIMITED (VJNL).

2. Risk Management Policy

The policy are devised in the context of the company's endeavour to achieve the objectives of the Company as enshrined in its Memorandum of Association and covers the following guiding principles of Risk Management:

1.1 Principles of Risk Management

2.1.1 All decisions to achieve the objectives of the Company should be taken with informed perceptions of risks involved in taking those decisions.
2.1.2 Risks will be regularly reviewed and road maps to develop and implement the mitigation process are initiated as soon as possible.
2.1.3 A report on the status of the risks identified, the status of mitigation of such risks shall be promptly reported to the Board at least once a year.

3. Risk identification, Assessment and categorisation of risks.

3.1.Scope of Risk Assessment process:

3.1.1.Risk Identification: These are events or occurrences that may exist or happen, which when happens adversely impacts VJNL's ability to fulfil its objectives or threaten its continued existence:

3.1.2. Risk assessment: Risk assessment process involves in ascertaining how far the identified risks will adversely impact the continuation of its existence and ability of VJNL to fulfil its objectives.

3.1.3 Categorisation of risks
The risks to which the VJNL is exposed to can be classified into the following categories:

3,1,4. Strategic Risks: Government policies, court rulings, Inter State Water Dispute Tribunal Awards etc

3.1.5. Financial risks: Inability to mobilise financial resources for the implementation of the projects and debt servicing.

3.1.6.Implementation risks: Risks associated specifically with the Company and having an adverse impact on the company's capability to implement the irrigation projects entrusted to it by the Government from time to time, in the context of statutory clearances such as forest clearance, environmental clearance and CWC clearance required for the projects.

3.1.7. Operational Risk: are those risks which are associated with operational uncertainties like Dam breaks, canal breaches, breakdown of machineries etc.

4. Risk Matrix:

4.1.A risk matrix containing the following details will be developed
4.1.1. Name of Risk & Short description by which the risk may be referred to
4.1.2. Nature of Risk: Strategic/Financial/Implementation/ Operational
4.1.3. List of affected stakeholders and effect of the risk on the expectations of the stake holders.
4.1.4. Quantification of Risk Cost of impact, if risk materialises

5. Key Implementation Areas for Risk Mitigation:

5.1 .The following are the key areas where risk mitigation measures need to be implemented:

5.1.1..Active liaison with the Government to identify projects requiring compliance with regulatory requirement and to expedite action to comply with the regulatory requirement/clearances.

5.1.2. Identify projects requiring regulatory clearances and not to initiate implementation of such new projects without such clearances.

5.1.3 Adoption of the Standard Bidding Document laid down by the Government to avoid litigations and standardise the bidding process.

5.1.4 Put in place a standard quality control process and strengthen the Quality Control Division with adequate staff strength and tools and equipments to avoid poor quality works.

5.1.5.Strengthening of Internal Processes:

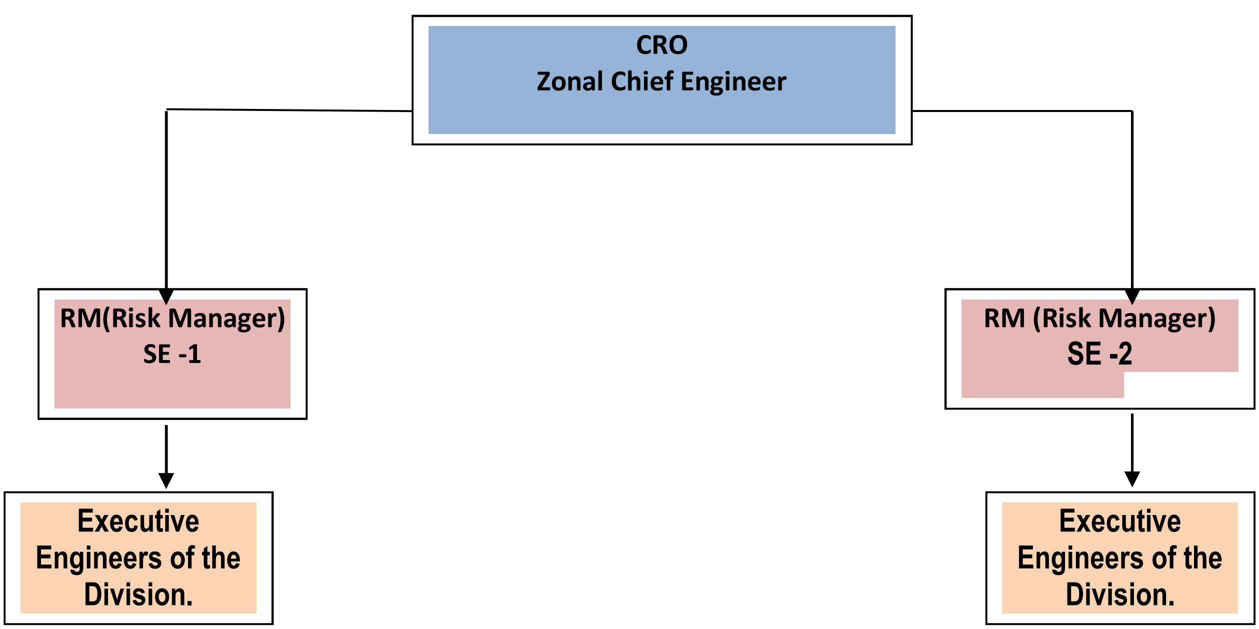
a) Internal Controls: Lay down an Internal Control Manual to strengthen internal processes so as to minimise irregularities**.**

b) Effective Budgetary Controls coupled with a funding plan for the balance cost of the project to avoid cash out situations which affects the implementation schedule.

c) Project Monitoring System: A seamless online Project Monitoring System is required for quick response and prompt decision making as well as to bring to attention the areas of short-fall and for tracking delays.

6. Risk Organisation Structure

The Risk Management Policy will be implemented through the establishment of a Risk Organisation Structure. A Risk Cell has to be formed headed by Chief Risk Officer –CRO in each Zone. Chief Engineer will be the CRO of that Zone.



7. Superintending Engineers of the respective zones will be the Risk Managers for that zone. The Executive Engineers working in each Division reporting to the line SE will be the Risk Officers. All the above will perform individual line duties, assigned to them and also assist the Risk Cell. The RMs and ROs will therefore hold additional responsibilities for risk reporting beyond their line duties. The overall functioning of the Risk Cells in each Zone will be monitored by the SE (Technical) in the Registered Office, VJNL, Bangalore and take actions on the key implementation areas for risk mitigation 5.1.1 and 5.1.2.

8. Roles and Responsibilities

8.1. The Board will review the risk management policies and system annually.

8.2. The Managing Director through the Chief Risk Officers will be responsible for ensuring that the risk management system is established, implemented and maintained in accordance with this policy.

8.3. Assignment of responsibilities in relation to risk management will be the prerogative of the Chief Risk Officer.

8.4. The Risk Managers (RM) will report to the CRO for the implementation of this Policy within their respective areas of responsibility.

8.5. Risk Officers (RO) will be responsible for identification, preliminary assessment, reporting and monitoring the risks related to their individual projects.

8.6. Each Risk Manager would have access to risk registers of all Risk Officers under their span of control and would be responsible for monitoring them. CRO would in turn monitor all risks at the Risk Manager level.

8.6.1.The ‘Risk Register’ should contain the following information:

I. Description of the risk
II. The impact, should the event actually occur
III. A summary of the planned response, should the event occur
IV. A summary of the mitigation plan (i.e. the actions taken in advance to reduce the probability and/or impact of the event)
V. The responsible function / person

9. Methodology of the Risk Management.

9.1. Potential risks posingthreatto the existence of the Company as a going concern, risks relating to regulatory requirement, risks that may affect the achievements of the objects of the Company, risk of loss of revenues from operations, risks to the assets and properties of the Company would be analyzed by assigning scores on the basis of risk indicators as prescribed in the Internal Audit Manual for corrective action.

9.2 The Risk Cells in each Zone will be the key groups which will work on an ongoing basis within the risks outlined in this policy to mitigate the risks to the Company. The following actions are required:

10. Identification and evaluation of risks:

The Risk Cells, under the guidance of Chief Risk Officer (CRO), will meet periodically with the Risk Managers (RM) and Risk Officers (RO) to identify specific risks and analyses the risk in terms of consequences, if the risk materializes.

11. Prioritization: Among all the risks identified, the Risk Cell will prioritize and focus on key risks and their mitigation measures.

12. Evaluation and Control

12.1. Identified risks will be assessed in terms of perceived outcomes and financial implication of the risks if they materialize.
12.2. Risks will be ranked in accordance with their likely impact on the implementation of the projects.
12.3. Action plans to eliminate, reduce or manage each material risk will be considered and agreed upon.
12.4. Responsibilities for the management of each risk will be assigned to appropriate line Managers

13. Monitoring

13.1. The Risk Matrix needs to be updated keeping in view the change in the risk exposure due to change in the business environment arising due to changes in the Government and other policies. Therefore, the Risk Matrix will be updated on a regular basis. The periodicity of review and updation are as follows:

13.2.1. There shall be a report of the risk cell for discussion at the monthly MMR meetings as a regular agenda subject. Risk Managers will review the status of risks and actions taken with departmental heads in their respective areas.

13.2.2. Any new or changed risks will be identified and escalated to the Chief Risk Officer and to the Audit Committee by the CRO in consultation with the Managing Director. The appointed Risk Manager of each area will report to the Risk Cell.

13.2.3 Risks with high risk scores and their corrective actions are to be reported to the Audit Committee as soon as they are perceived.

13.2.4. The risk management process shall be reviewed by the Board periodically for efficiency and effectiveness.

14. Collective responsibility

14.1. Everyone in the company is responsible for the effective management of risk.
14.2. All staffs are responsible for identifying potential risks in the area of their functional area. Management is responsible for developing risk mitigation plans and implementing of risk reduction strategies.

14.3. The risk management process will be integrated with other planning processes and management activities.

15 Approval of the Policy

15.1. The Board will be the approving authority for the company's overall Risk Management System. The Board will monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

16. Review of the Policy

This policy laying down the guidelines for risk management at VJNL, It will be reviewed as and when the necessity arises due to the changes in the risk management regulations/ standards/ best practices as appropriate.

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