PNC Infratech Limited

Risk Management Policy

Contents

1. Overview

1.1 Introduction

PNC Infratech Limited ('hereinafter referred to as the 'Company' or 'PNC') is a leading professionally managed Company in front ending Indian infrastructure investment, development, construction, operation and management companies in the country, with wide experience and proven expertise in execution of projects in core infrastructure sectors including expressways, highways, bridges, flyovers, airport runways, water supply, industrial area development and other infrastructure activities with an established track record of successful execution of projects across geographies.

We acknowledge that the business paradigm is continuously shifting owing to changes in customer expectations, regulatory updates and volatility in the economic environment. Our ability to create sustainable value in this environment is dependent on recognizing and effectively addressing key risks that impact our business. To facilitate this, we have adopted a robust Risk Management programme at PNC.

The Risk Management programme at PNC does not aim at eliminating risks, as that would simultaneously eliminate all chances of rewards/ opportunities. It is instead focused on ensuring that risks are known and addressed. This risk management policy details the objectives and principles of Risk Management at PNC and provides an overview of our Risk Management process, procedures and responsibilities.

1.2 Legal framework

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organization. The new Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **including any amendments therein** have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall *inter alia* include evaluation of risk management systems.

As per Regulation 17(9) of the SEBI (LODR) Regulations, 2015:

-The listed entity shall lay down procedures to inform members of board of directorsabout risk assessment and minimization procedures.

-The board of directors shall be responsible for framing, implementing and monitoringthe risk management plan for the listed entity.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy"(this Policy) of the Company and to constitute a Risk Management Committee.

1.3 Objectives

Risk Management has always been an integral part of business practices at PNC.This Risk Management Charter aims at formalising a process to deal with the most relevant risks at PNC, building on existing management practices, knowledge and structures.

The objectives of Risk management at PNCare to:

- Better understand our risk profile so that we may better manage uncertainties which impact our performance;
- Contribute to safeguarding company value;
- Ensure that sound business opportunities are identified and pursued; and
- Improve compliance with good corporate governance guidelines & regulations.

1.4 Definitions

Risk - Any event/non-event, the occurrence/non-occurrence of which can adversely affect the objectives/existence of the Company. These threats may be internal/ external to the Company, may/may not be directly influenced by the Company and may arise out of routine/non-routine actions of the Company.

Risk Management - A structured, consistent and continuous process; for identifying, assessing, deciding on responses to and reporting on the opportunities and threats that may affect the achievement of our objectives.

Risk Library - A compilation of risks identified during the annual risk identification exercise. The risk library may be amended periodically to include emerging risks.

Risks That Matter - Key risks, typically with significant impact and likelihood. Since these risks warrant more focus, the Company documents its mitigation strategy for these risks.

Mitigation Plans - Measures (existing and proposed) to mitigate / monitor / transfer / treat the Risks That Matter.

Risk Competency Scan – Identification and assessment of existing risk mitigation strategies to address the Risks That Matter.

1.5Scope of Enterprise Risk Management (ERM)

Scope of ERM is restricted to Risksimpacting the achievement of PNC’s defined business objectives.

The ERM policy shall also define:

- **Enterprise Risk Management framework that** enables identification, prioritization, mitigation and monitoringof the risks
- **Enterprise Risk Management Structure** i.e. the roles and responsibilities for implementationandeffectivenessof the risk management framework in the Company.

1.6Risk Management Committee (RMC)

- The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

- The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

- Minutes of these meetings shall be documented.

1.7Frequency of Meetings of RMC

The Risk Management Committee shall meet at least twice in a year and the gapbetween two consecutive committee meetings should not be more than 'one hundredand eighty days'.

1.8Quorum of RMC

Meeting of the Risk Management Committee shall be either twomembers or one-third of the members of the committee, whichever is higher, includingatleast one member of the Board of directors in attendance.

2. The Risk Management Framework

While defining and developing a formalized Risk Management process, leading risk management standards and practices have been considered. Our focus is to make risk management relevant to business reality and to keep it pragmatic from an implementation perspective.

The Risk Management Framework outlines the series of activities and enablers that the Company deploys to assess mitigate and monitor risks.It comprises of:

- **Risk Management process**that helps identify, prioritise and manage risks in the Company; and

- **Risk Management structure** i.e. the roles and responsibilities for implementing the risk management process.

2.1 Risk Management Process

Whether risks are external/ internal to the Company, or can/ cannot be directly influenced/ managed, they are addressed by a common set of processes through the risk management process. This process is scheduled to be performed:
- Annually along with the business planning exercise, at any point of time on account of significant changes in internal business conduct or external business environment; or
- When the business seeks to undertake a non-routine transaction (such as an acquisition, entering into a new line of business etc.).

2.1.1 Establish the objectives and context

This is focused on laying down objectives that the company seeks to achieve and safeguard. Risks are identified and prioritized in the context of these objectives.

PNC needs to articulate the business objectives, define the external and internal parameters to be taken into account when managing risk, and set the scope and risk criteria for the remaining process.

2.1.2 Risk Assessment (Identify and Prioritize)

Risk Identification:Involves identification of relevant risks that can adversely affect the achievement of the objectives. Risk identification revolves around determining the sources of risk, areas of impacts, events (including changes in circumstances) and their causes and potential consequences.
Risk can be identified through the use of:

- Focus groups (using brainstorming approaches, SWOT analysis techniques)
- Workshops with the stakeholders on potential risks is one of the best ways to identify details that may have been overlooked
- Interviews with respective management by the Risk Coordinator

The aim is to generate a comprehensive list of risks based on those events that might prevent, degrade or delay the achievement of PNC's objectives.

These Identified risks can be broadly classified into four categories:

- Strategic: These are high level and are directly affecting the entity's mission
- Operational: These refer to the effective and efficient use of resources
- Financial: These surround an entity's need for financial sustainability
- Compliance: These refer to an entity's need to comply with applicable laws, regulations and procedures

Risk Prioritization:Involves assessing the relative priority of each risk to arrive at the key risks or Risks That Matter ('RTM'). This involves considering the potential impact and likelihood of occurrence of the risk.

- An impact and likelihood rating plot enables risks to be associated with an overall risk rating. The risk rating enables prevention and mitigation steps to be completed to reduce the likelihood of the risk becoming an issue
- Impact can be subjective and requires understanding of relative environment to determine the impact of the risk
- Likelihood is time and probability based

Assess Impact of the risk event

Impact is assessed based on inherent risks (assuming that there are no controls in place). A series of descriptors is used to assist with determining the impact rating of a particular risk.
Likelihood of occurrence of that event is assessed based on inherent risks (assuming that there are no controls in place).

Determine Inherent Risk Rating

Once the impact and likelihood ratings are established using the risk assessment criteria, these are multiplied to compute a risk rating:

"Risk Impact x Risk Likelihood = Risk Rating"

The resultant risk rating is used to determine the relevant escalations and decisions that must occur and also prioritize risks to enable more structured monitoring and management of risks. It is also important to consider the interdependence of different risks and their sources.
Inherent risk rating is the overall exposure to PNC, absent the consideration of management and control activities that have been designed and implemented to specifically manage a risk.

Residual risk is the amount of risk remaining after management takes action to reduce the impact and likelihood of adverse events, including the implementation of processes, controls and oversight mechanisms.

Assign Risk Owner:
Head of Department assigns an owner to each key risk. Risk Owners are individuals who have been mandated to manage specific risks. Risk Owners are selected based on their knowledge of the risk and their ability to influence controls and treatments associated with that risk. Risk Owners must manage their designated risks in accordance with PNC's ERM Framework

2.1.3 Risk Mitigation

Involvesdesign and implementation of activities that help manage risks to an acceptable level.It involves assessment of the existing competency of management processes to mitigate risks and make improvements thereto. For the 'Risks that Matter', each business/function is expected to formally define risk ownership, mitigation activities, responsibilities and milestones.

The purpose of this procedure is to describe various activities for determining what will be done to mitigate the risk to an acceptable level. This includes identifying, selecting, recording and monitoring mitigation actions. These actions should consider the most appropriate option to PNC. Risk mitigation actions can have two objectives:

- Reduce the impact (i.e. mitigate the impact of the event); or
- Reduce the likelihood (i.e. prevent the event from eventuating)

2.1.4 Risk Monitoring and reporting

A formal process to update theBoard of Directors, the Audit Committee and the Risk Management Committee on the risk profile and effectiveness of implementation of mitigation plans.

Monitoring and reporting is an ongoing process aimed at measuring performance of risk treatments, identifying emerging risks and assessing status of risks. It should be a planned part of the risk management process for the purpose of:

- Ensuring controls are effective and efficient in both design and operation
- Obtaining further information to improve risk assessment
- Analyzing and learning from event, near-misses, changes, trends, successes and failures
- Detecting changes in the external and internal context, including changes to risk criteria and the risk itself
- Identifying new and emerging risks

Below is a diagrammatic representation of the Risk Management Framework.

Business as usual:

The risk management process is scheduled to be performed annually along with the business planning exercise or when there significant changes in business or environment

Activity	Details	Output	Frequency
1. Set the context for risk management	Identify the objectives / business priorities that we seek to achieve and safeguard.	Business priorities	Annually, as part of the business plan
2. Identify and prioritize risks	Identify relevant risks and their relative priority. Determine the key risks.	• Risk library • Key risks	Annually or when significant change happens
3. Mitigate risks	Design and implement activities to manage key risks at an acceptable level	Mitigation plans with responsibility and timeline	Ongoing
4. Monitor risks	Update the Board of Directors and the Risk Management Committee ('RMC') on the risk profile and effectiveness of implementation of mitigation plans.	Risk dashboard	• Business – Quarterly • RMC – Bi-Annually (May & November) • Board – Annually

Non routine activities:
When we undertake a significant non-routine transaction / activity such as an acquisition, entering into a new line of business etc. the same steps as listed above are again applied.

2.2 Business Objective: Business objective shall be identified based on annual business plan. The business objective so identified shall be used as a context for Risk identification.

2.3 Risk Management structure

The roles & responsibilities for implementing the Risk Management process are as follows:

- ***Monitoring**:*

The Board of Directors has the overall responsibility for overseeing that the Company has put in place a suitable framework for managing risks and this framework has been effectively deployed by the Executive Management. On an annual basis, a formal report on Risks That Matter shall be submitted to the Board of Directors for their review.

The Board of Directors has delegated the task of overseeing the deployment of the Risk Management Framework to the Risk Management Committee. Key responsibilities of the RMC are to:

- Evaluate the operation of the Risk Management programme;
- Review results of risk assessments prepared by the Executive Management; and
- Monitor results of risk management plans

- ***Execution**:* Thebusiness unit heads are responsible for implementing the risk management programme for their respective areas. In this effort, they shall be supported by the office of the Risk cell. The Risk cell helps and coordinates the roll out of the risk management programme across different business units /corporate functions. The responsibility for identifying risks and implementing mitigation plans rests with the line management.
- ***Assurance**:* Internal Audit (IA) is entrusted with the responsibility to review and provide independent assurance on overall effectiveness and efficiency of the Risk Management process. While all risks cannot be audited, Corporate Internal Audit, External Audit, Environmental Health & Safety, Insurance or any other function(s) entrusted by the Risk Management Committee may provide independent assurance on the effectiveness of defined risk mitigation strategies for certain areas. In addition, these functions through their regular audit/ fieldwork at various levels might identify additional risks, which will serve as an input for the subsequent risk identification and definition process.

2.3.1 - Execution roles – ERM

Role	Establish the context	Risk identification	Risk prioritisation	Risk mitigation	Monitoring & reporting
RMC	Define risk areas based on long terms and short-term business goals		Select the key risks for PNC for mitigation & monitoring	Approve mitigation plans	Review progress and results prior to submission of risk report / board presentation to the Board
CRO (Chief Risk Officer)	Liaise with RMC and BU heads	Guide risk coordinators & identify risks for corporate functions	Support RMC in prioritising the key risks for PNC + Guide risk coordinators	Consolidate mitigation plans across businesses and corporate functions	Present the risk report/ board presentation to RMC/Board
At business level					
BU/ Functional heads	Set the direction for risk management	Provide inputs on risk areas to update risk register	Sign off on RTM	Suggest mitigation plans – responsible for their execution	Present progress to CRO/ RMC Update risk coordinator on progress
Risk owners	Finalise goals with CRO and business head	Update risk register based on research, review of plans and interviews	Facilitate CRO to compile prioritised risks Support heads in prioritizing risks	Coordinate preparation of mitigation plans; critically examine mitigation strategies	Report progress to head and Support CRO in preparing risk report/ board presentation

2.4 Limitation

The Risk Management Framework does not intend to provide complete assurance against failures to achieve business objectives, nor does it provide full assurance against material misstatements, losses, frauds, human errors, misjudgments in decision-making and violations of legislation and regulations.

3.Activity Calendar

Activity calendar

Timeline/ Activity	January	February	March	April	May	June	July	August	September	October	November
Risk Assessment (including identification and prioritisation)											
Annual risk identification and prioritisation	To conclude with annual budgeting and planning										
Risk competence scan / new risks identification, if any	For Q4 (To be completed within 15 days of quarter close)			For Q1 (To be completed within 15 days of quarter close)			For Q2 (To be completed within 15 days of quarter close)			For Q3 (To be completed within 15 days of quarter close)	
Development of Risk Mitigation strategy											
Risk mitigation – for annual risk assessment	To conclude with annual budgeting and planning										
Risk mitigation for new risks (identified every quarter)				For Q1 (To be completed within 30 days of quarter close)			For Q2 (To be completed within 30 days of quarter close)			For Q3 (To be completed within 30 days of quarter close)	
Reporting and Monitoring											
Board of Directors and Risk management committee to review the results of annual risk assessment	To conclude with annual budgeting and planning										
Periodic monitoring by RMC					Annual review by RMC						Bi annual review by RMC

4. Risk Rating Criteria

Risk Impact

Rating	Growth	Return to stakeholder
High (3)	Event leading to delay in achieving growth target by *more than 3 years*	Turnover: >10% decrease EBITDA: >5% decrease
Medium (2)	Event leading to delay in achieving growth target by *1-3 year*	Turnover: 5% - 10% decrease EBITDA: 2% - 5% decrease
Low (1)	Event leading to delay in achieving growth target by *less than 1 year*	Turnover: Below 5% decrease EBITDA: Up-to 2% decrease

Risk Likelihood

Rating	Likelihood
Almost certain (3)	Risk may occur multiple times in a span of *12 months*
Likely (2)	Risk may occur once in *1-3 years*
Unlikely (1)	Risk may occur once in *over 3 years*

Risk Rating = (Risk Impact) x **(Risk Likelihood)**

Likelihood of the consequence	1. Low	2. Medium	3. High
A. Almost certain	4. Medium	7. High	9. High
B. Likely	2. Low	5. Medium	8. High
C. Unlikely	1. Low	3. Low	6. Medium

5. REVIEW &AMENDMENT

This Policy shall be reviewed by the RMC and Board as and when any changes are to be incorporated in the Policy due to change in applicable law or at least once in every two years and updated accordingly. In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act of Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

***Note:** This policy was last amended on 11.08.2023 and hosted on the website of the Company. The policy was originally made on 07.08.2015.

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