RISK ASSESSMENT & MANAGEMENT POLICY

FUJIYAMA POWER SYSTEMS LIMITED

SCOPE

This policy establishes the philosophy of Fujiyama Power Systems Limited ("Company"), towards risk identification, analysis & prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company. This policy is applicable to all the functions and departments of the Company.

OBJECTIVE

The objective of this policy is to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The **key objectives** of this policy are:

- Safeguard the Company property, interests, and interest of all stakeholders.
- Lay down a framework for identification, measurement, evaluation, mitigation & reporting of various risks.
- Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
- Balance between the cost of managing risk and the anticipated benefits.
- To create awareness among the employees to assess risks on a continuous basis & develop risk mitigation plans in the interest of the Company.
- Provide a system for setting of priorities when there are competing demands on limited resources.

1. Risk Management Committee:

The Risk Management Policy will be implemented through the establishment of the Risk Management Committee ("Committee") accountable to the Audit Committee / Board of Directors.

In the event there will be no committee, the policy shall be implemented through Audit Committee/Board.

2. Composition:

The Committee may include Managing Director, CFO, CEOs, Internal Auditor and Company Secretary of the Company and any other member as may be included by the Board/ MD. The Managing Director of the Company will be the Chairman of the Committee.

3. Quorum:

The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the Risk Management Committee; whichever is greater.

4. Meetings:

The Committee will normally meet prior to each regularly scheduled quarterly meeting of the Board or at such other time as deemed fit by it.

5. Audit Committee:

The Audit Committee of the Board of the Company shall review the the processes for identification and assessment of the risks, reviewing the outcomes of risk management processes, and for advising the Company as necessary from time to time.

6. Internal Auditors:

Internal auditors will guide the Company to ensure that risk management processes are adequately followed by the Company and statutory requirements (such as adherence to the Company Act, 2013 and Clause 49 of the Listing Agreement etc.) are complied with.

Responsibilities:

The responsibilities of the Committee shall be as follows:

i. Discuss with senior management, the Company's Enterprise Risk Management (ERM) and provide oversight as may be needed.
ii. Ensure it is apprised of the most significant risks along with the action management is taking and how it is ensuring effective ERM.
iii. Reviewing risk disclosure statements in any public documents or disclosures.
iv. Review and recommend changes to the Risk Management Policy and/or associated frameworks, processes and practices of the Company.
v. Be aware and concur with the Company's Risk Appetite including risk levels, if any, set for financial and operational risks.
vi. Ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
vii. Review the Company's portfolio of risks and consider it against the Company's Risk Appetite.
viii. Being apprised of significant risk exposures of the Company and whether Management is responding appropriately to them.
ix. Report periodically to the Audit Committee.
x. The Risk Management Committee shall have access to any internal information necessary to fulfill its oversight role. The risk management committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
xi. Perform other activities related to this Policy as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

7. Risk Management Procedure:

The Company is required to maintain procedures to provide the systematic view of the risk faced by the Company in the course of its business activities. This will require the Company to:

i) **Establish a context:** Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
ii) **Identify Risks:** This is the identification of what, why and how events arise as the basis for further analysis.
iii) **Analyze Risks:** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.
iv) **Evaluate Risks:** This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized.
v) **Treat Risks:** For higher priority risks, the Company is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
vi) **Monitor and Review:** This is for the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
vii) **Communication and Consultation:** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

8. Approach to Risk Management:

The following methodology will be adopted to identify and mitigate risks to which they are subjected.

8.1 Identification of Risks: This would envisage identification of the potential list of events/ perils/ risks/ factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.

- **Strategic Risk:** Competition, inadequate capacity, high dependence on a single customer/vendor.
- **Business Risk:** Project viability, process risk, technology obsolescence/ changes, development of alternative products.
- **Finance Risk:** Liquidity, credit, currency fluctuation.
- **Environment Risk:** Non-compliances to environmental regulations, risk of health to people at large.
- **Personnel Risk:** Health & safety, high attrition rate, incompetence.
- **Operational Risk:** Process bottlenecks, non-adherence to process parameters/ pre-defined rules.
- **Reputation Risk:** Brand impairment, product liabilities.
- **Regulatory Risk:** Non-compliance to statutes, change of regulations.
- **Technology Risk:** Innovation, obsolescence.
- **Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment

8.2 Evaluate & Prioritize Risks: Estimate risk levels against pre-established criteria as may be determined by the Committee. This will enable risks to be ranked and prioritized. The risks can be evaluated by plotting them on the Risk Map.

8.3 The Committee should identify certain risks, which cannot be quantified in monetary terms and as such, not possible to rank them. In such cases, the consequences of the risk need to be evaluated.

The following could be used as criteria to identify such risks:

- Impact on fatality or irreversible disability/impairment to human life.
- Impact on the environment
- Impact on the Brand Equity including public litigation

9. Risk Register:

The Committee should ensure compilation of a Risk Register in the appropriate format.

10. Treat Risks:

For high priority risks, the Committee with the help of Risk Champions and management should develop and implement specific risk management/ mitigation plans. Low priority risks may be accepted and monitored.

The Committee should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities. The Committee should ensure approval of the control measures to be initiated against the identified risks from the designated personnel after analyzing cost v/s benefits.

11. Monitor and Review:

The Committee is responsible for overall monitoring of the risk management processes.

To support the Committee, every business function/department will depute a manager not below a ***Manager*** level as the 'Risk Champion' to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

12. Communication and Consultation:

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

13. Reporting:

Quarterly reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee and Board. The responsibility of compilation of report is entrusted with the Committee. The Risk Champions should submit quarterly report on the compliance of the risk assessment and management policy to the Committee.

14. Training:

The Committee should identify the need for imparting training to Risk Champions as well as

other key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc. The training budget should be prepared at the beginning of the year and should be approved by the appropriate authority.

15. Retention of Documents:

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years.

16. Implementation Review:

To ensure adequate and complete implementation of this policy, internal audit reviews should be carried out at least annually.

17. Policy Review:

The policy shall be reviewed annually for modification based on change in business environment and practices.

Risk Management Committee

Given below are the names and designations of the members of the **Risk Management Committee** nominated by the Management.

Sr. No.	Name	Designation in Company	Designation in Committee
1	Mr. Sunil Kumar	Non Executive Director	Chairman
2	Mr. Pawan Kumar Garg	Chairman and Joint managing Director	Member
3	Mr. Rajesh Kumar Choudhary	Non Executive Independent Director	Member
4	Ms. Sonia Bansal Arora	Non Executive Independent Director	Member