



TATA Realty and Infrastructure Limited

RISK POLICY

Purpose:

Risk is an integral part of our business activity.

Tata Realty and Infrastructure Limited (TRIL) ("the Company") recognises that enterprise risk management is an integral part of good management practice and attempts to achieve an integrated approach to risk management to create, enhance and protect stakeholder's value.

Applicability:

This Risk Management Policy applies to:

- All employees, business divisions including subsidiaries, Joint Ventures and Associates of the Company

Objective:

The primary objective of Risk Policy is to create awareness of risk inherent in the operations of the Company, transparently communicate the same in an objective manner and put in place a mechanism for mitigating the adverse impact of such risk.

Risk Policy:

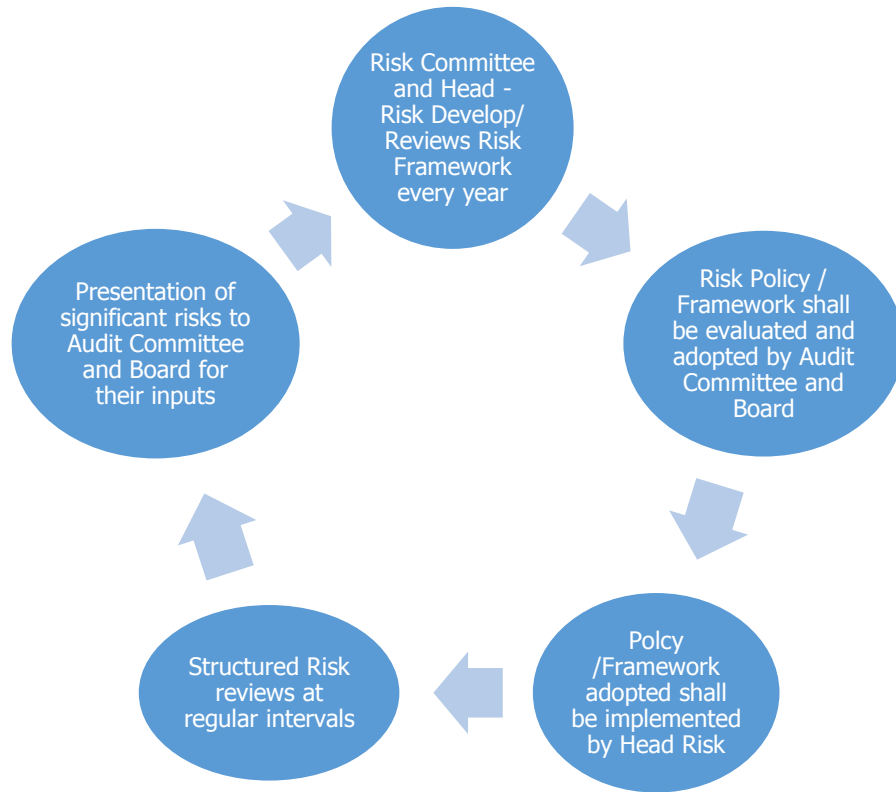
TRIL shall ensure effective implementation of robust risk management by:

- Contributing to the demonstrable achievement of objectives and improvement of performance
- Making it an integral part of the organisation process and decision making
- Explicitly addressing the uncertainty
- Aligning with the organisation's external, internal context and risk profile
- Appropriate and timely involvement of all stakeholders making the process transparent and inclusive
- Facilitating continual improvement of the organisation
- Having proper accountability and responsibility of managing risks and eliminate conflict of interest
- Periodic review of framework and process in response to an event or change in circumstances
- Properly communicating the Risk Policy to all stakeholders

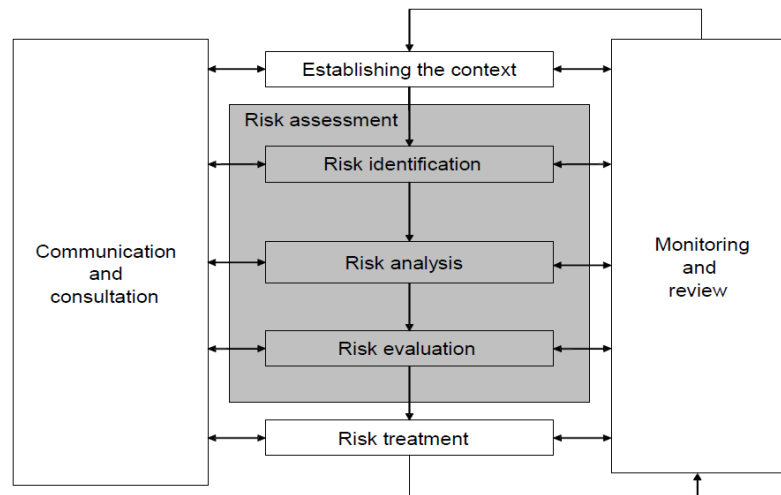
The Risk Management will function under the supervision of Apex Risk Management Committee. The Risk Management Process and Organisation Structure is as per attached annexures.

Annexure I

Risk Management Process



1. Risk Assessment Process:



2. Activity Matrix:



Sr. no	Activity	By Whom	When	How
1	Communication and Consultation	Risk Owner and Head- Risk at TRIL#	Is a continuous process	Refer Para 3 a
2	Establishing Context	Apex RMC	Every year but to be reviewed every half year	Refer Para 3 b
3	Risk Assessment	Risk Owner and Head- Risk at TRIL# with Input from RMC	As specified in Para 3 c	Refer Para 3 c
4	Risk Treatment	Project RMC/Apex RMC	As specified in Para 3 d	Refer Para 3 d
5	Monitoring and Review	Project RMC/Apex RMC	As specified in Para 3 e	Refer Para 3 e

refer Annexure I-A for the definitions

3. Risk End to End Process

- a. **Communication and Consultation:** Success of any risk assessment process depends on effective communication and consultation with the stakeholders. Risk Owners and Head Risk shall be responsible for communication of Risk Management Framework with the stakeholders to ensure that their interests of are understood and considered. This is continual and iterative processes that will be done to provide, share or obtain information and to engage in dialogue with stakeholders regarding the management of risk.
- b. **Establishing Context:** Establishing the context defines the basic parameters for managing risks and sets the scope and criteria for the assessment process. In establishing the context, the risk assessment objectives, risk criteria, risk assessment programme are determined. The context can be internal such as resources, competencies, information systems or external context such as regulatory, technological and competitive environment. It also includes defining accountabilities and responsibilities, risk assessment methodologies. The Risk Review of the TRIL and its SPVs shall be done considering this context and for Rolls and Responsibilities refer Annexure I-D
- c. **Risk Assessment:** Risk assessment is overall process of Risk identification, Risk analysis and Risk Evaluation. ISO 31010 specifies 31 different techniques for Risk assessment. (Refer Annexure I-C for list of such techniques and its applicability) Risk Owner shall determine the application of appropriate technique and in case of complex scenarios, input from Apex RMC shall be sought after the Risk is identified.
 - i. **Risk Identification:** Risk identification is the process of finding, recognizing and recording risks. Risk Owner and Co-ordinator shall ensure application proper technique in Risk Identification so as to plan appropriate treatment for the Risk.

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- ii. **Risk Analysis:** Risk analysis is about developing an understanding of the risk. It provides an input to risk assessment and to decisions about whether risks need to be treated and about the most appropriate treatment strategies and methods. Risk analysis consists of determining consequences and their probabilities for identified risk events, taking into account the presence and the effectiveness of any existing control. The consequences and their probabilities are then combined to determine a level of risk. Risk analysis shall include an estimation of the range of potential consequences and their associated probabilities in order to measure the level of risk. To estimate probability, following approaches shall be used:
- a. Historical data: In this case historical data of the events occurred in the past can be used to extrapolate the probability in future.
 - b. Expert opinion: In some scenarios expert's opinion can be used to estimate the probability.
 - c. Probability forecast: In this method predictive techniques such as fault tree analysis, event tree analysis etc. can be used to forecast probability.
- iii. **Risk Evaluation:** Risk evaluation involves comparing estimated levels of risk with defined criteria in order to determine the significance of risk. The decision about whether and how to treat the risk depends upon type of risk. The risks can be divided into Strategic, Tactical and Operational and can be further classified as Critical, High, Medium and Low level risks. The Risk Owner along with the Project RMC team member shall evaluate the Risk using the appropriate technique.
- d. **Risk Treatment:** Risk treatment involves selecting one or more options to mitigate the risk or reduce the consequence of risks. These mitigations plans are to be discussed with stakeholders and then integrated in the Risk Review. In case of Critical and High level Risks the Risk Owner shall communicate the Risk Treatment to the Apex RMC for advice and approval. Before selecting any treatment option the cost benefit analysis shall be done by the Risk Owner. This activity to be executed after the Risk is assessed and defined.
- e. **Monitoring and Review:** Monitoring and review of risk assessment process is a planned activity and shall be executed as below. For detail of Roles and Responsibilities please refer Annexure I-D and Annexure II. The Risk Review is to be recorded as per the template specified in Annexure I-E.

Monitoring and Review Plan:



Sr. No	Periodicity	By	To	Type of risk to be presented
1	Monthly	Project RMC	Project/Operations Head	All Tactical and Operational
2	As per Criticality	Project/Operations Head	Apex RMC	High /Critical Tactical and Operational
3	Quarterly*	Risk Owner/Head Risk	Apex RMC	Strategic and other High /Critical
4	Half Yearly	Head Risk	Apex RMC	Strategic and other High /Critical
5	Annual	Apex RMC	Audit Committee	Strategic Risks and other Critical if any

**Depending upon the criticality of the Risks*

Annexure I-A: Key Definitions



- 1. Risk Owner:** shall be a person having accountability and authority to manage Risk. Respective Unit Head or Functional Head shall appoint the Risk Owner for the Risk identified.
- 2. Risk Co-ordinator:** Risk Co-ordinator will be the person responsible for liaising work related to Risk identified and treatment being followed. Risk Owner shall appoint the Risk Co-ordinator to facilitate the work.
- 3. Stakeholders:** person or group of persons or entity that can affect, be affected by, or perceive themselves to be affected by a decision or activity
- 4. Risk Treatment:** Risk treatment can involve
 - a. Elimination of Risks through mitigation measures
 - b. Reduction in impact through mitigation measures
 - c. Transfer of Risks to other agencies such as Insurance.
- 5. Levels of Risks:** magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood. Based on the Magnitude the levels are categorised as
 - a. Critical
 - b. High
 - c. Medium
 - d. Low

The Risk Owner and the Risk Management Committee shall use any of the 31 tools (specified in ISO 31010) and applicable for the determination of the magnitude of the Risk.

Annexure I-B:

The Companies Act 2013 requirements related to Risk Management

Sr. No	Relevant Section	Requirement	Person(s) Responsible
1	134 (3)	To include statement on development and implementation of Risk Management Policy	Chief Financial Officer/ Company Secretary
2	177(4)	Evaluate risk management system	Chairman, Audit Committee
3	149(8) read with Schedule IV	Help in bringing an independent judgment to bear on the Board's deliberations on risk management and ensure robust and defensible risk management	Independent Directors

Annexure I-C: Risk Assessment Tools and its applicability



(Indicative list, for details please refer to ISO 31010: Risk Assessment Techniques)

Sr. No	Risk assessment technique	Risk Identification	Consequence	Probability	Level of risk	Risk Evaluation
1	Brain storming	✓	NA	NA	NA	NA
2	Structure<<what if >> (SWIFT)	✓	✓	✓	✓	✓
3	Delphi	✓	NA	NA	NA	NA
4	Scenario Analysis	✓	✓	✓	✓	✓
5	Root Cause Analysis	NA	✓	✓	✓	✓
6	Cause Effect Analysis	✓	✓	NA	NA	NA
7	Bow Tie Analysis	NA	✓	✓	✓	✓
8	Consequence Probability Matrix	✓	✓	✓	✓	✓
9	Risk indices	✓	✓	✓	✓	✓
10	Cost benefit analysis	✓	✓	✓	✓	✓
11	Decision tree	NA	✓	✓	✓	✓
12	Structured and semi structured interviews	✓	NA	NA	NA	NA
13	Checklists	✓	NA	NA	NA	NA
✓ : Applicable and NA: Not Applicable						

Annexure I-D: Roles and Responsibilities



Activity to be initiated by	Role	Will report to
Risk coordinator	<ul style="list-style-type: none"> ▪ To aid identification of Risk and implementation of mitigation measures. Liaison with all stakeholders for Risk related issues 	<ul style="list-style-type: none"> ▪ Risk Owner
Risk Owner	<ul style="list-style-type: none"> ▪ Communication and consultation with all stakeholders for Risk Management Framework. ▪ To identify, document the risks for new proposals as well as existing operations. ▪ Risk assessment ▪ To prepare the Mitigation Plan ▪ Implement Risk management framework after approval by Risk Management Committee 	<ul style="list-style-type: none"> ▪ At Project/Operations Level to Project Risk Management Committee ▪ At HO to Apex RMC
Project Risk Management Committee	<ul style="list-style-type: none"> ▪ Review of Tactical and Operational Risks ▪ Identification appropriate treatment for Risk ▪ Cost Benefit analysis of treatment identified ▪ Communication of Risk Status periodically 	<ul style="list-style-type: none"> ▪ Apex Risk Management Committee
Apex Risk Management Committee	<ul style="list-style-type: none"> ▪ Determine the Risk Appetite of the company ▪ Consideration of Risks for approval of new proposals ▪ Review and approve the impact and likelihood assessed by Risk Owner ▪ To review significant risks and mitigation measures (treatment plans) ▪ To direct the risk management initiatives of the various functions as approved by the Audit Committee ▪ To propose the risk management strategy to be adopted by the Company 	<ul style="list-style-type: none"> ▪ Audit committee
Audit Committee	<ul style="list-style-type: none"> ▪ To review strategic and critical risks ▪ To direct Risk Management initiatives of the company 	<ul style="list-style-type: none"> ▪ Board of Directors
Internal Audit Firms	<ul style="list-style-type: none"> ▪ To have independent view on the Risks identified and mitigation measures ▪ To highlight Key Risks and blind spots (Risks which were not perceived by the Risk Owner) 	<ul style="list-style-type: none"> ▪ Risk Management Committee/ Audit Committee through Head-Risk.
Board of Directors	<ul style="list-style-type: none"> ▪ To review Critical Risks ▪ To review the highlights of the Risk Management process 	<ul style="list-style-type: none"> ▪ Shareholders Report

Annexure I-E: Risk Review Template



Organisation Structure

Terms of Reference for Risk Management Committee

Purpose:

To Regulate the Risk Management function.

Scope:

To manage the Risk Management activities of Tata Realty and Infrastructure (TRIL), its associate and SPVs.

Functioning of Apex RMC:

The Apex Risk Management Committee (RMC) shall regulate the activities of the Risk Management function of the organisation.

Present Composition of Apex Risk Management Committee (RMC)*

1. Managing Director
2. Chief Financial Officer
3. Functional heads
4. Head Risk

* In absence of anyone of the above, the person nominated by MD will be part of RMC. Chairman of the RMC will invite any other individual to attend the meetings

For Project Risk Management Committee the Project/Entity head shall nominate the members.

The meetings of Apex RMC will be chaired by MD unless otherwise specified and the Head Risk will act as Secretary of the committee. RMC will meet every quarter or as decided by the committee and discuss the Risk related agenda.

The Functional Head of the respective department for which the risks are being presented in the particular meeting, would be participating in the meeting.

This is to ensure to have a focused discussion on issues involved/constraints faced and various options for risk mitigation, affixing the responsibility and target dates.

Reports of Risk Management Committee's activities (agendas, decisions) and meetings (including attendance) will be maintained for each meeting by the Risk Management Committee secretary. Sufficient time will be given for discharging the regular responsibilities of the Risk Management Committee.

Roles and Responsibilities of RMC:

Apex RMC:



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- Ensure the communication of policies and standards to successive levels of management.
 - Provide for (and support) adequate auditing, monitoring and investigative resources in all such areas in conjunction with the major audit and compliance in Tata Realty and Infrastructure Limited.
 - Ensure appropriate internal controls, risk management and legal compliance systems including standards, training and communications occur for all high-risk compliance and ethical areas, including but not limited to those areas deemed to be Significant Risks
 - Support in establishing risk assessments techniques to identify significant business, operational, financial, legal, compliance and other risks.
 - Determine the Risk Appetite of the company.
 - Review and approve the impact and likelihood assessed by Risk Owners
 - To review significant risks and mitigation measures
 - To direct the risk management initiatives of the various functions as approved by the Audit Committee
 - To propose the risk management strategy to be adopted by the Company

Project RMC:

- Communication with all stakeholders for Risk Management Framework
- Prepare mitigation plan for Low and Medium level Risks
- Monitor Identified Risks and follow up on the mitigation measures
- Monthly review of Risks and reporting of Critical and high level risks to Apex RMC for guidance and treatment plan
- Regular update on Risk Status to Apex RMC

Deliverables of RMC:

At a minimum, the deliverables are:

Apex RMC:

- Half Yearly: Review of all Strategic Risks and other high and critical risks. Review with Head Risk for the Actions Taken on the mitigation measures and status of the Risks. Give input on the minimisation of adverse impact of the Risk.
- Annual: Assessment of Risks with reference to the Risk Appetite consistent with the Risk Management Policy. Reports required for the Audit and Risk Committee.

Project RMC

- Monthly: Communication with all stakeholders for Risk Identification and mitigation measures. Risk Reviews of all Risks as per schedule.
- Quarterly: To review all Risks, their mitigation plan and communicate status of Critical and High Risks to Apex RMC for further course of action.