



AKSH OPTIFIBRE LIMITED

RISK MANAGEMENT POLICY

1. Purpose

Aksh Optifibre Limited ("Company") is into manufacturing telecommunications providing telecommunication services and manufacturing and supplies of Telecommunication products particularly Optical fiber Cables, Fibre Reinforced Plastic (FRP) rods, etc is prone to inherent business risk like any other organization. The Company has a Risk Management framework in place, which comprises the identification of potential risk areas, evaluation of intensity, mitigation plans and procedures for the risk management. The framework seeks to facilitate building a common understanding of the exposure to the various risks and uncertainties at an early stage, for timely response and their effective mitigation.

2. Definitions

- 2.1. **Risk** - Any contingency with a potential negative impact on the attainment of qualitative or quantitative business goals, and in particular on earnings.
- 2.2. **Risk Management** - It is a systematic application of Management Policies, procedures and practices to the task of identifying, analyzing, assessing, treating and monitoring of risks.
- 2.3. **Risk Management Process** - This pertains to the systematic application of management policies, procedures and practices to the task of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating the risks.
- 2.4. **Risk Strategy** - Company's outlook in dealing with various risks associated with the business and includes company's decision on acceptance of risks, avoidance of risks, transfer of risks and its risks tolerance level.
- 2.5. **Risk Assessment** - The overall process of risk analysis and risk evaluation.
- 2.6. **Risk Estimation** - The process of quantification of risks.
- 2.7. **Risk Description** - A comprehensive collection of information about risks in a structured manner.
- 2.8. **Risk Register** - A tool for recording of risks at various locations/levels in a structured format.

3. Objective of Risk Management Policy is :

- 3.1. To define a framework for identification, evaluation and mitigation of risk in the decision making process of the business of AOL;
- 3.2. To protect AOL from those risks of significant likelihood and consequence in the pursuit of AOL's stated strategic goals and objectives;
- 3.3. Provide assistance to and improve the quality of decision making throughout the organization;
- 3.4. Assist in safeguarding the Company's property and reputation.





4. Risk Assessment

The process of Risk Assessment covers the following:

- 4.1. **Risk Identification & Categorization** means Company's exposure to uncertainty classified as Strategic /Operational /Financial /Compliance/Environmental.

From the perspective of the Company, the risks are of following nature:

- a. **Strategic Risk** - Those risks associated with operating in a particular industry and include risks arising from merger and acquisition activity, demand changes or changes in customers, industry changes and R&D. These risks pose threats or opportunities which materially affect the ability of the organization to survive.
- b. **Compliance Risk** - Those associated with the need to comply with laws and regulations. They also apply to the need to act in a manner which stakeholders and customers expect.
- c. **Operational Risk** - Those associated with the company's operational and administrative procedures which inter-alia include accounting controls, regulations, recruitment, IT systems, board composition, contractual risks and exposures, organisational risks and exposures.
- d. **Financial Risk** - Those associated with financial structure of the company, its transactions and the financial system in place.
- e. **Environmental Risk** - Those associated with release of polluting materials, environmental performance/compliance limits, business opportunities and breach of regulations.

List of Key Risks and Exposure affecting the company is given in **Annexure**.

- 4.2. **Risk Description** refers to the method of reporting and recording the company's identified risks in a structured manner.

1.	Name of Risk	Short description by which the risk may be referred to
2.	Scope of Risk	Impact/type/size of Risk
3.	Nature of Risk	Strategic/Compliance/Operational/Financial/ Environmental
4.	Stakeholders	Impact of loss, disruption, reputation and other interest affected
5.	Quantification of Risk	Cost of risk
6.	Risk Treatment	To mitigate the impact of risk
7.	Potential action for improvement	Recommendations to reduce the occurrence and /or quantum of adverse impact of the risk.
8.	Review of existing policy	With a view to avoid, curtail risk in future

- 4.3. **Risk Estimation** is the process for estimating the cost of likely to impact in quantitative and qualitative terms. To make total assessment of adverse consequences and cost implications upon





occurrence of a risk. Estimation of financial loss should take into account claims by contractors, loss of property and loss in realization of revenue and delay in execution of projects.

5. Company's Risk Strategy

Ability to effectively identify, quantify and control risks and exposures and to implement an effective framework. To deliver business objectives and attain greater value for money.

5.1. Risk Management Strategy entails establishing a framework ensuring realization of the Company's objectives. The strategy aims:

- To identify, evaluate and manage risks for the achievement of objectives.
- To assess the likelihood, impact and acceptability of all risks to which the company is exposed.
- To deliver controls and mitigation treatment to reduce the probability and impact of risks to an acceptable level.
- To integrate risk management activities at all levels in the company.
- To continuously monitor the effectiveness of the management of risks having particular regard to failings/weaknesses reported.
- To ensure that necessary action is being taken promptly to remedy failings/weaknesses.
- To identify and ensure delivery of effective risk management training programmes.
- To continuously monitor and review risks and controls to cater for external/internal changes.

5.2. **Keeping the strategy on-going** - To ensure continued implementation of company's risk management policy and strategy, critical review and refresh the process shall be adopted within the organisation on an on-going basis.

5.3. **Practices to be followed by the Company Regular Update** - To ensure a regular update of the risk register.

5.3.1. **Communication Channel** - Highlighting instances of success and failures through Corporate Risk Updates.

5.3.2. **Standing Agenda Item** - Discussions at every Performance Review Meetings being scheduled item and potential cases to be covered in the Audit Committee and Board Meetings Agenda.

5.3.3. **Open Forum** - Creation of free open forum (a blame free or learning culture) to report and discuss risks those required attention of Management.

5.3.4. **Progress Monitoring** - Constantly monitoring progress of risk management process in the HODs meetings.

5.4. **Organizational Structure with responsibility and accountability for Risk Management:**

- The Managing Director shall be the authority to establish a risk management system in the organisation.





- Managing Director may designate any employee as Chief Risk Officer.
- All Process Leaders will be the Risk Managers for their respective areas of operations/functions and be responsible for identification, preliminary assessment, reporting and monitoring the risks related to their area of operation/functions.



5.5. Risk Management Techniques

As a strategy, the following techniques for risk management shall be introduced:

- Using risk transfer and indemnification provisions in the contracts.
- Retaining risks which are within the company's financial capacity.
- Insuring risks which are above the company's retention capacity.
- Considering insuring for traditionally insured hazard risks.

6. Risk Appraisal and Action Plan

- 6.1. Risk Management in the Company will look into all organizational processes involved in advance detection of risks as well as in identifying and taking suitable action to counter them.
- 6.2. Deployment of integrated planning, control and monitoring systems and corporate governance systems and fine tune them on an ongoing basis to ensure that risks are detected at early stage and properly assessed and appropriately managed.
- 6.3. Risk management, a key success factor will form an integral component of company's management system. To promote risk awareness throughout the Company, risk culture at all levels shall be developed through the mechanism of review framework, progress monitoring and discussions in open forums.
- 6.4. Unified early warning system throughout the Company will be established and laid down for risk management. Risks will be inventoried at all plants/offices executing contracts and aggregated at the corporate level. This approach will make it possible to involve executives at all levels in the corporate hierarchy to ensure risk awareness.





- 6.5. All inventorised risks will be assigned an impact, probability, category, timescale and action to be taken. This will be complemented with focus on quantitative reporting. A key element of early warning system will be regulated through a mechanism in which Risk Managers will report to the Chief Risk Officer about the probable/potential risk. Chief Risk Officer shall compile all reported risks on quarterly basis with such details about risks in tabular form. This analysis will form an integral part of reporting and will be periodically reviewed by the Audit Committee/Board.

7. Risk Register

Risk Management Information System (MIS) will be developed by the Chief Risk Officer for gathering report of risks and early warning in respect thereof. Risks will be recorded in a Corporate Risk Register (CRR).

The Risk Register shall contain following information:

- a. Description of the risk
- b. The impact, should the event actually occur
- c. A summary of the planned response, should the event occur
- d. A summary of the mitigation plan (i.e. the actions taken in advance to reduce the probability and/or impact of the event)
- e. The responsible function / person

The Corporate Risk Register shall remain in the custody of the Chief Risk Officer.

8. Approval of the Policy

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





Insurable Risks & Exposures

- Workers Compensation and Employers Liability
- Commercial General Liability
- Contractors All Risks Policy
- Professional Liability
- Environmental Liability (Pollution Coverage)
- Directors and Officers Liability
- Project Specific Coverages

