

Risk Management Policy

BACKGROUND

*This document lays down the framework of Risk Management at Phoenix Overseas Limited (hereinafter referred to as the '**Company**') and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and lays down the mitigation methods which are periodically reviewed and modified in a manner commensurate with the size and complexity of the business.*

Risk Management Policy is framed as per the Provisions of the Section 134(3), Section 177(4) and Schedule IV [Section 149(8)] of Companies Act, 2013

OBJECTIVE

The objective of Risk Management task at Phoenix Overseas Limited is to preserve shareholder value to the extent practically feasible by identifying and mitigating major operating, and external business risk. An enterprise-wide risk management framework is applied in a manner such that the effective management of risks at different levels and different functions is an integral part of every employee's job.

RISK MANAGEMENT

- 1. The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.*
- 2. The Board shall be responsible for framing, implementing and monitoring the Risk Management policy for the company.*
- 3. The Board shall define the roles and responsibilities of the Business Process and Risk Management and Audit Committees and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.*

POLICY

Broad Principles

The Board has to review the business plan at regular intervals and develop the Risk Management Policy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal. We have sought to classify the types of risk as external business and operational.

Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Business Process and Risk Management Committee along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by an empowered management committee under the leadership of the MD (MD, CFO, Company Secretary and Chief Internal Auditor) through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Board and Audit Committee.

Risk Description: To display the identified risks in a structured format

- Name of Risk
- Scope of Risk
- Qualitative description of events
- Nature of Risk
- External Business, Operational
- Quantification of Risk
- Significance and Probability
- Risk Treatment and Control Mechanism
- a) Primary Means b) Monitoring and Review
- Potential Action for Improvement
- Recommendations to Reduce Risk

ROLE OF BOARD OF DIRECTORS AND AUDIT COMMITTEE

The role of the Board of Directors shall include the evaluation of risk management systems, the examination of the risk matrix, assessing the mitigation measures and suggesting improvements and greater risk mitigation measures, and examination in detail the business processes which may carry risks.

The minutes shall be placed before all directors including members of the Audit Committee, who will evaluate the same and take action, if required.

REVIEW

This policy shall evolve by review by the Board from time to time as may be necessary. This policy shall also be reviewed by the Audit Committee.

COMMUNICATION

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

Policy on Hedging In Commodity Market

*Phoenix is participating in various tenders that require significant high value raw materials like Steel, Copper, Zinc and Aluminum. The prices of these raw materials are subject to price volatility. In order to insulate the risk due to price fluctuation, Phoenix wants to avail the hedging technique through future and option contract available in MCX & NCDEX. For this purpose Phoenix will open an account with **SMC Global Securities Ltd.**, member of the National Stock Exchange of India Ltd.(NSE),Bombay Stock Exchange Ltd.(BSE). The hedging will be done only for mitigating risk due to price fluctuation and not for any speculative purposes.*

Commodity hedging means reducing or controlling risk arising out of fluctuation in raw-material prices. Commodity hedging is done by taking a position in the futures market that is opposite to the position in physical market. Any manufacturer (buyer) or seller facing the risk of volatile commodity prices can do commodity hedging after compliance with regulatory

requirements. Hedging is a two-step process. A gain or loss in the cash position due to changes in price levels will be countered by changes in the value of futures position.

- When Phoenix is sure of getting/awarded the contract from/by Railways, it will decide the percentage of raw material requirement and timing of fulfilling the contract. Depending on the requirement of raw material from time to time, it will enter into the hedging process.
- While entering the hedging process a formal office note by the department need to be prepared elaborating
 - the requirement of items concerned,
 - timing of requirement,
 - market view of future price movement,
 - future contract amount,
 - brokerage to be paid,
 - margin requirement and
 - The tender contract number.
 - The maximum amount per tender contract should not exceed Rs 5 (Five) crore.
 - At any point of time the total exposure to future market should not exceed Rs 30(Thirty) crore all tender contracts put together.
 - The outstanding future contract should be valued at weekly interval and placed to the CFO & MD.
 - The MD or CFO is only authorized to enter into the deal on the basis of the office note.
 - If at any point of time the overall exposure is required to be exceeded, then Board's prior approval need to be taken.
 - A suitable accounting entry need to be passed.
 - All hedge transactions should be reported to the Board through the audit committee in each & every meeting.
 - The transactions should be subject to concurrent audit every month