

'Risk Management Policy'

1. BACKGROUND

HINDUSTAN URVARAK & RASAYAN LIMITED (HURL) is setting up three Natural Gas based new Fertilizer plants under Lump Sum Turnkey Contract (LSTK) basis at Gorakhpur (UP), Sindri (Jharkhand) and Barauni (Bihar). The LSTK contractor for Gorakhpur is Toyo Engineering with the technology licensors M/s. KBR Inc. USA (for Ammonia) and Toyo Engineering, Japan (For Urea). The contract execution for Sindri and Barauni is being undertaken by a consortium of TechnipFMC., Technip India and L&T Hydrocarbon with project licensors Haldor-Topsoe (for ammonia) and Saipem, Italy (for Urea). HURL has contracted the services of Projects & Development India Limited (PDIL) as project management consultants to implement the projects.

2. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improve the governance practices across the business activities of any organisation also, regulatory requirements prescribed as per Companies Act 2013 have been imposed on the organization to have a robust risk management framework which shall be reviewed periodically.

As per Section 134(3) (n) of the Act, the board of directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification 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 every 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 Schedule IV [Part II(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible

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

3. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of this Policy are:

To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

To establish a framework for the company's risk management process and to ensure its implementation.

To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

To assure business growth with financial stability.

4. APPLICABILITY

This Policy applies to all areas of the Company's operations.

5. KEY DEFINITIONS

Risk-

Risk is the effect of uncertainty on objectives. It is expressed as a combination of the probability of an event and its consequence. Events with a negative impact represent risks, which can prevent value creation or erode existing value.

Risk Management –

The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

Risk Assessment –

The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks

Risk Management Process -

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

6. RISK FACTORS

(a) EXTERNAL RISK FACTORS

- Project implementation risk owing to large size of the project

- Feedstock availability risk associated with setting up of gas pipeline in a timely manner:
- Vulnerability of profitability of the fertilizer sector to regulatory policies and agro-climatic conditions:
- **Legal Risk**
In which the Company is exposed to legal action.
- **Fluctuations in Foreign Exchange-**
(A separate policy for Exchange Risk Management is being formulated).

(B) INTERNAL RISK FACTORS

- Project implementation
- Contractual Compliance
- Feedstock Availability
- Regulatory Compliance
- Hurdles in optimum use of resources
- Quality Assurance & Efficient Operation
- Environmental Management
- Human Resource Management

7. RESPONSIBILITY FOR RISK MANAGEMENT

Generally, every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

8. COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risks. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of

management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

9. REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

10. AMENDMENT

This Policy can be modified at any time by the approval of Board of Directors of the Company.