



**IndianOil-Adani Gas Pvt. Ltd.**

## **ENTERPRISE RISK MANAGEMENT POLICY**





### **Circulation & Distribution Control**

This document is intended solely for the internal use of IOAGPL.

Unrestricted circulation or distribution of the document even within the Organization is associated with a risk of misuse both accidental as well as out of mal intent.

This document is for internal use only.



## **Table of Contents**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Page No.</b>
1	Introduction	4
	<i>a. Benefit of Integrated Risk Management</i>	4
	<i>b. Scope and purpose of this Policy</i>	4
2	Risk Management Framework	6
	<i>a. Risk Governance Structure</i>	6
	<i>b. Risk Portfolio</i>	6
	<ul style="list-style-type: none"><li>• Risk Identification</li></ul>	6
	<ul style="list-style-type: none"><li>• Risk Appetite</li></ul>	6
	<ul style="list-style-type: none"><li>• Risk Assessment</li></ul>	6
	<ul style="list-style-type: none"><li>• Risk Classification</li></ul>	7
	<i>c. Risk Optimizing</i>	7
	<i>d. Risk Monitoring and Review</i>	7
3	Risk Management Organization	8
	<i>a. Risk Governance Structure</i>	8
	<i>b. Risk Reporting Structure</i>	8
4	Operation of risk management policy	9
	<i>a. Approval of the risk management policy</i>	9
	<i>b. Review of the risk management policy</i>	9
	<i>c. Communication &amp; awareness</i>	9
	<i>d. Risk culture assessment</i>	9
5.	1) Annexures Risk 2) Risk Governance Structure 3) Roles & Responsibilities 4) Risk Calendar and Impact Assessment	10-15



## 1. INTRODUCTION

IOAGPL is laying infrastructure for development of City Gas Distribution Networks to supply the Piped Natural Gas (PNG) to the Industrial, Commercial and Domestic (residential) segments and Compressed Natural Gas (CNG) to the transport sector.

IOAGPL is committed to fuel a safer, greener and cleaner tomorrow for India by making Natural Gas widely available and accessible across our Geographical Areas (GAs).

With the recent upheavals in economic landscape over the last decade, the regulators across the globe, including India, have come up with guidelines and policies pertaining to risk management at entity level to ensure sustainability and assurance over business performance. The relevant regulatory requirements applicable to IOAGPL are:

*Companies Act, 2013:* As per Section 134(3)(n) of Companies Act, 2013, there shall be attached to statements laid before the company in general meeting, a report by its Board of Directors, which shall include a statement indicating development of and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may have negative impact on its Business and Financials

In line with the above requirements, it is therefore, required for the Company to frame and adopt a “**Risk Management Policy**” (this Policy) of the Company.

### a. Benefits of integrated Risk Management

An integrated and clearly structured Risk Management Framework can help support the maximization of shareholders’ value in several ways:

- Clarity of roles, responsibilities and expectations for managing risks;
- Quicker, risk oriented decisions by focusing on key risks;
- Achieve business Objectives;
- Protect the company’s assets;
- Avoid major surprises related to the overall control environment;
- Safeguard shareholders’ Investment

This Policy is intended to ensure that an effective Risk Management Framework is established and implemented within IOAGPL and to provide regular reports on the performance of that framework, including any exceptions at appropriate levels.

This Risk Management Policy is also intended to meet the regulatory requirements relevant from risk management perspective.

### b. Scope and Purpose of this Policy

The key objectives of this policy are to:

- To establish a framework for the company’s risk management process.
- Define the organizational structure for effective risk management.
- To enable compliance with appropriate regulations, wherever applicable.

This Policy applies to all employees of IOAGPL and every part of IOAGPL’s business and functions.



## 2. RISK MANAGEMENT FRAMEWORK

The key element of the framework includes Risk Structure, Risk Portfolio, Risk Optimizing and Risk Measuring & Monitoring and The overall objective of risk management process is to optimize the risk-return relationship.

### a. Risk Governance Structure

A formal Risk Governance Structure with defined roles and responsibilities for risk management activities is an essential prerequisite for effective risk management framework.

### b. Risk Portfolio

Risk Portfolio management cycle begins with risk Identification and is followed by risk assessment, risk categorization on the basis of risk appetite decided by the Management and finally recording of risks in the risk registers.

- **Risk Identification**

Risk identification refers not only to the systematic identification of risks but also to the identification of their root causes. Risk owners are assigned to each identified risk and are responsible for the execution of risk managing action which includes documentation of root causes of the risks as well as the mitigation factors in place.

- **Risk Appetite**

Risk Appetite refers to the tolerance limit an organization has set for itself to decide on the course of action it should make for management of risks. IOAGPL's "appetite" will vary with its strategy, evolving conditions in the industry and markets, organizational culture as well as other external factors. Risk Rating Criteria has been defined based on the tolerance limit set for the organization. IOAGPL shall review and update the risk appetite & risk rating criteria on periodical basis to ensure the alignment with the business objective & strategy of the company.

- **Risk Assessment**

Risk Assessment refers to the quantification of the impact of risks to determine its potential severity and the likelihood of occurrence of the risk to determine its potential likelihood during the period. Risk exposure is the result of the product of impact and likelihood of occurrence of a risk with the consideration of controls in place. The objective of the risk assessment exercise is to measure relative importance of risks to enable decision making on priorities.





- **Risk Classification**

Risk classification help to prioritize risks, within an entity. IOGPL identifies and classifies risks into following:

- High Risk
- Medium Risk
- Low Risk

**c. Risk Optimization**

The next step in a risk management framework involves optimization of risks faced by the company. Optimizing involves managing the exposure of various risks and bringing them in line with the risk appetite of the company. Options from management of risks include:

- **Risk Avoidance** – Withdrawal from activity where risk management is not cost effective (e.g. refuse orders, withdraw from projects)
- **Risk reduction** – Design controls to mitigate the risk in terms of its impact or reduce the likelihood of its occurrence (e.g. hedging, business continuity planning)
- **Risk Transfer** - Design measures to ‘pass on’ the risk on a third party (e.g. Insurance, Sub contracting)
- **Risk Acceptance** - Accept risk where additional risk handling is not cost effective, but potential returns are attractive in relation to the risks faced.

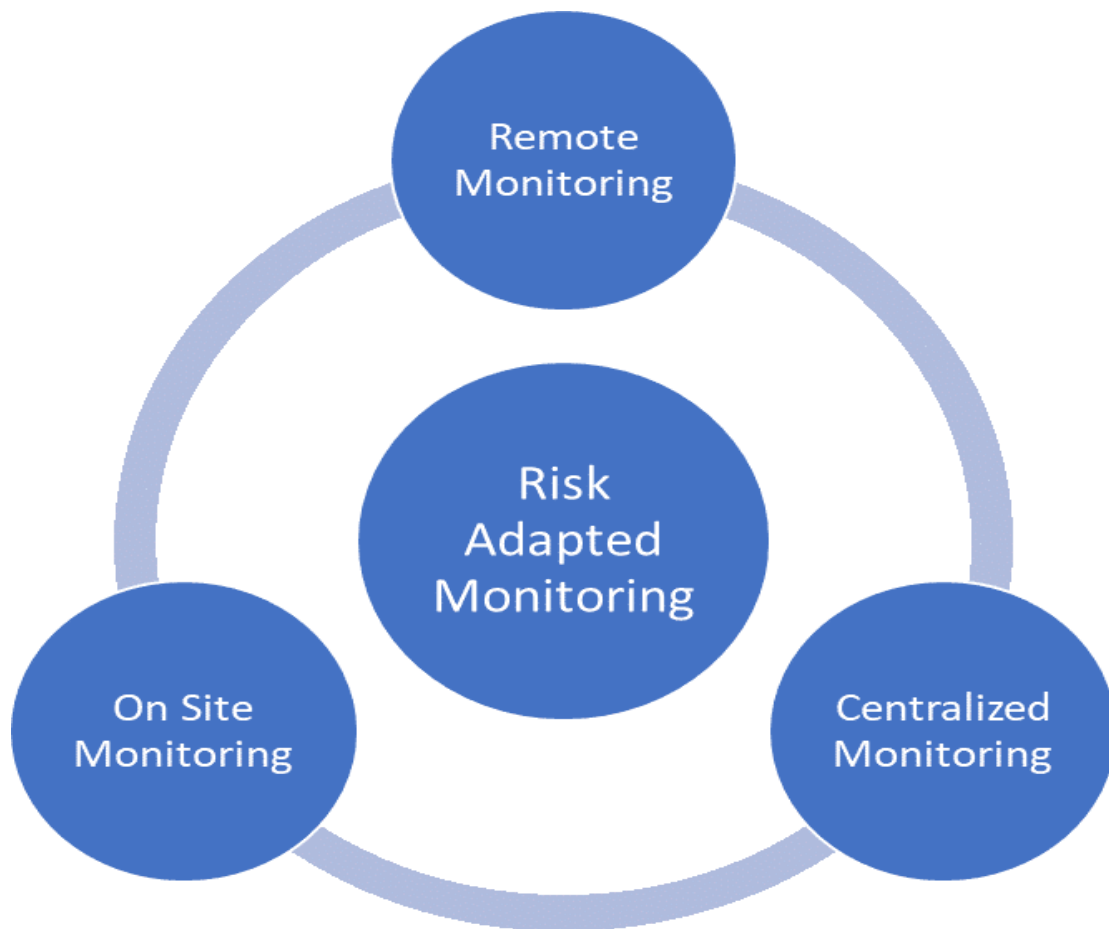
**d. Risk Monitoring and Review**

A risk review & monitoring involves the re- examination of all risks recorded to ensure that the current assessment remain valid and reviews the progress of risk mitigation measures. The risk monitoring & review process shall be carried to ensure that:

- Risks are effectively identified & assessed, and risk register is current & valid.
- Appropriate control & mitigation measures are in place to manage key risks.
- Responsibilities for the mitigation measures for key risks has been assigned to appropriate stakeholder.
- Risk mitigation measures are timely implemented and resulted in what was intended.

In IOAGPL, risk management process is iterative, and iteration of risk management process is triggered during:

- Strategy setting
- Significant changes in internal/external environment e.g. regulatory changes, major policy decisions, major investment
- Period requirement for risk reviews as per defined risk governance & reporting structure.





### 3. RISK MANAGEMENT ORGANIZATION

#### a. Risk Governance Structure

The governance at IOAGPL shall be aligned to best practice and regulatory guidelines. Some of leading principles like 3 lines of defence, independence, board oversight, coordination and inclusion shall form the foundation of risk governance structure at IOAGPL.

In order to develop and implement an Enterprise Risk Management framework, IOAGPL shall constitute a Internal Risk Compliance Committee through the COO, Finance Head and E&P head, HSE Head, Regulatory Head, GA Heads, Finance Head, Project Head, IT Head, HR Head which ensures that risk management activities are undertaken as per the policy. Risk owners from each division/department shall identify & assess the risks in their respective areas and report it to Internal Risk Compliance Committee (IRCC) which will be comprised of senior executives across key division/department. IRCC shall evaluate the risks reported and identify the risks which needs to be reported to the Board of Directors. The main objective of the (IRCC) shall be to provide an enterprise wide view of key risks within the organization to the Board. Chief Risk Officer (CRO) will play the role of Convener in IRCC and Board. IOAGPL shall establish a risk cell comprising of Chief Risk Officer (CRO), Risk Champions & Risk Team Members for effective implementation of risk management across the organization.

#### b. Risk Reporting Structure

The following risk reporting structure shall be followed by the organization:

##### First Line of Reporting

- Regional Risk Committee shall share the report of operational risk assessment at regular intervals to risk owners.
- Risk owners to review & update the risk portfolio (risks, KPIs & mitigation measures) and report it to IRCC at regular for high & medium risks.

##### Second Line of Reporting

- IRCC to review the risk portfolio reported by Risk Owner at regular intervals and ensure that risks are effectively identified, assessed and adequate mitigation measures are adopted for high risks.
- IRCC shall report the status of high & medium risks to the Board of directors on bi-annual basis.





---

## **4. OPERATION OF RISK MANAGEMENT POLICY**

### **a. Approval of the Risk Management Policy**

The Board of Directors of IOAGPL shall be the approving authority for the company's overall Risk Management Policy. The Internal Risk Compliance Committee (IRCC) shall, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

### **b. Review of Risk Management Policy**

The risk management policy shall be reviewed as and when required based on changes in the business environment/regulations/standards/best practices in the industry.

### **c. Communication & Awareness**

IOAGPL shall ensure timely communication of matters relating to risk management to ensure adequate awareness of risk management activities across the organization.

### **d. Risk Culture Assessment**

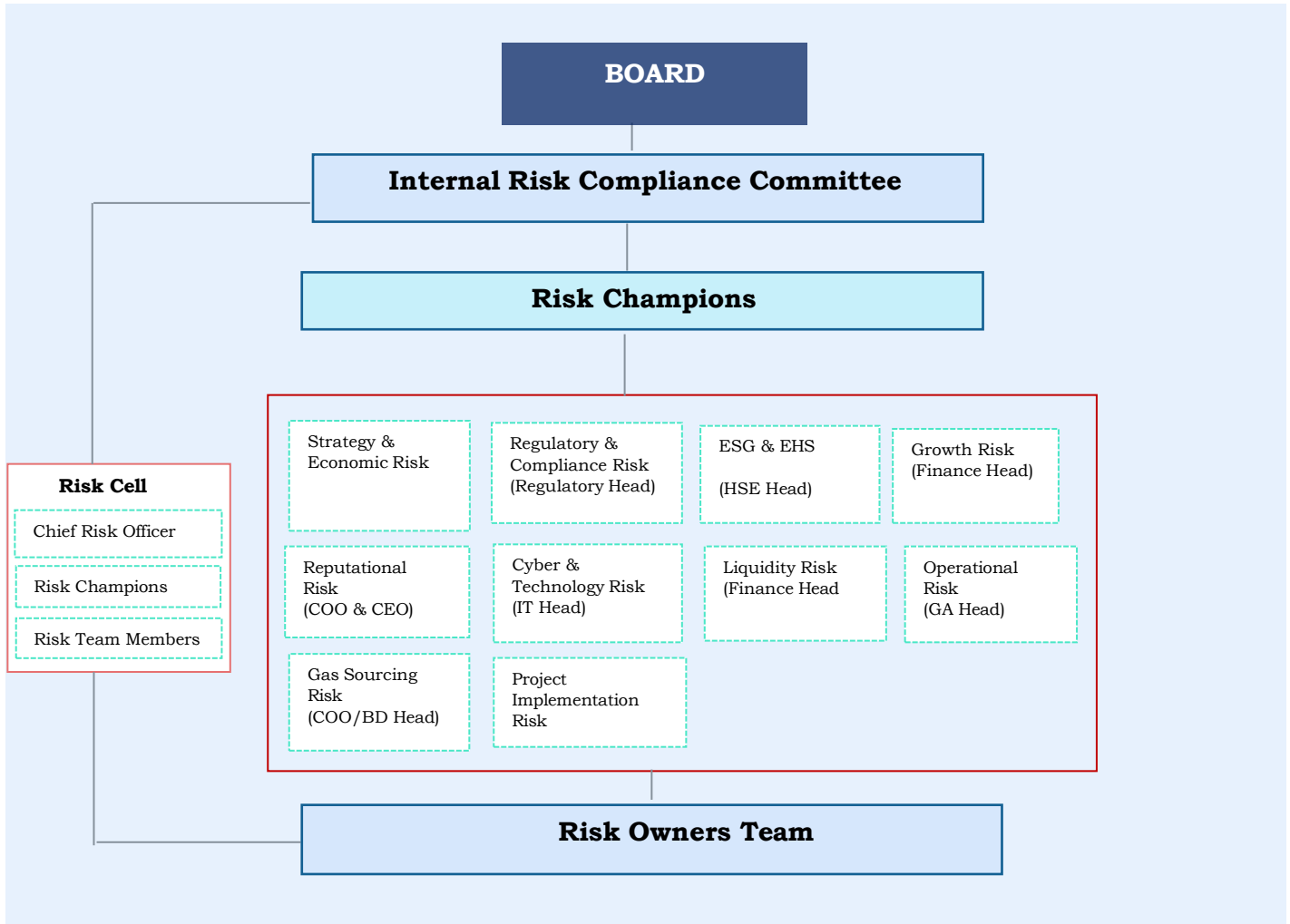
Risk culture is a key element to effective and sustainable ERM program. It consists of organizational behaviors and processes that enable the identification of, assessment and management of risks. When effective, it empowers employees to understand what constitutes risk, how much is acceptable, how risk information flows into decision-making, and how risk/reward decisions are made.

IOAGPL shall assess risk culture of the organization with every review of the risk management policy to evaluate the effectiveness of the ERM program and identify the improvement areas.



## Annexure 1

### Risk Governance Structure





## Risk Categories & Ownership

Risk Categories	Risk Ownership
Strategy & Economic Risk	
ESG & EHS	Health Safety & Environment (HSE) Head
Regulatory & Compliance Risk	Head- Regulatory
Operational Risk	GA Heads
Growth Risk	Finance Head
Project Implementation Risk	Engineering & Planning (E&P) Head
Reputational Risk	Chief Operating Officer (COO) & Chief Executive Officer (CEO)
Gas Sourcing Risk	Chief Operating Officer (COO) & Business Development (BD) Head
Liquidity Risk	Finance head
Cyber & Technology Risk	Information Technology (IT) Head
People Risk	Human Resource (HR) Head



## Annexure 2

### Roles & Responsibilities

Sr. No.	Role	Responsibility
1	<b>Board</b>	<ul style="list-style-type: none"><li>Review of risk management policy and system periodically.</li><li>Review the status and progress of the risks and risk management system on a regular basis.</li></ul>
2	<b>Internal Risk Management Committee</b>  <i><b>Composition:</b> Chief Operating Officer (COO), Finance Head, Operational head, HSE Head, Regulatory Head, GA Heads, Project Head, IT Head, HR Head</i>	<ul style="list-style-type: none"><li>Review and approval of risk management related guidelines and policy.</li><li>Ensure that risk management systems is established, implemented and maintained in accordance with the defined framework.</li><li>Ensure that risk management framework is reviewed periodically and updated as when required.</li><li>Review the organization's risk profile periodically.</li><li>Review the mitigation plan and their status for key enterprise risk.</li></ul>
3	<b>Chief Risk Officer (CRO)</b>	<ul style="list-style-type: none"><li>The CRO though the risk cell shall undertake the role of 2nd line of defence, Accordingly the key roles &amp; responsibilities of CRO are listed below:</li><li>Ensure that risk management policy is current and in line with regulatory requirements.</li><li>Manage the establishment and ongoing maintenance of risk management policy pursuant to the organization's risk management vision.</li><li>Ensure that the risk management policy is followed across the organization and that all significant risks are being recognized and effectively managed.</li><li>To discharge the roles and responsibilities of listed above, the CRO shall have:</li><li>reporting independence to risk management committee.</li><li>Hierarchical independence to constructively challenge the adequacy of risk management</li></ul>



Sr. No.	Role	Responsibility
		<p>activities being undertaken by first line of defence (i.e. risk owners)</p> <ul style="list-style-type: none"> <li>functional independence to ensure delineation between first, second and third line of defence i.e the CRO shall not be responsible for managing risks and nor be part of internal audit.</li> <li>Business acumen to provide necessary insights from risk perspective.</li> </ul> <p>Accordingly the organization shall strive that responsibility of CRO is assigned to a person of level of COO &amp; Finance Head having significant experience both in risk management and business domain.</p>
4	<b>Risk Champions</b>  <b>Composition :</b> Operational head, HSE Head, Regulatory Head, GA Heads, Finance Head, Project Head, IT Head, HR Head	<ul style="list-style-type: none"> <li>Coordination with risk owners in their respective areas for periodic update of risks, associated KPIs and identified mitigation measures.</li> <li>Coordination with risk committee at unit level (Refinery &amp; Marketing) for periodic update of risks and provide inputs to relevant risk owners for consideration during enterprise level risk assessment.</li> <li>Ensure complete view of risk profile in their respective areas through discussion with risk owners (individually/through a common forum).</li> </ul>
5	<b>Risk Team Members</b>	<ul style="list-style-type: none"> <li>Provide necessary support to CRO and Risk Champions in implementation of risk management in the Company.</li> </ul>
6	<b>Risk Owners</b>	<p>A risk owner is an individual who is accountable for monitoring identified project or operational risks and developing and implementing strategies to manage them.</p> <ul style="list-style-type: none"> <li>Continuously monitoring &amp; review of the risks in their respective areas</li> <li>Provide periodic updates on the risks, associated KPIS and mitigation measures to Risk Champions.</li> <li>Identification &amp; implementation of mitigation measures to manage risks.</li> </ul>



---

### **Likelihood Assessment**

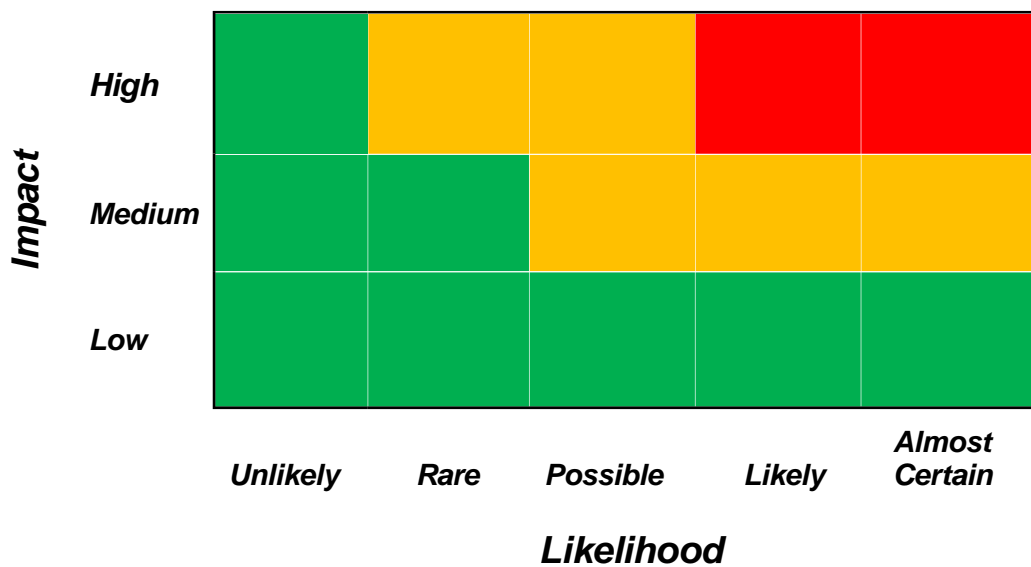
Likelihood rating	Classification	Likelihood of impact
1	Unlikely	Has not occurred/can occur in exceptional case
2	Rare	Has not occurred in last 3 years/unlikely to occur in next 3 years
3	Possible	Has occurred in last 3 years/unlikely to occur in next 1-3 years
4	Likely	Annual occurrence/Likely to occur in next 1 year
5	Almost Certain	More than once in a year/ It is almost certain



## Annexure 3

### Risk Classification

#### **Risk Heat Map**



High Risk	Risk exposure >= 12
Medium Risk	6 <= Risk exposure < 12
Low	Risk exposure < 6