



RISK MANAGEMENT POLICY OF THE NATIONAL INFRASTRUCTURE TRUST

I. PREAMBLE

In accordance with the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended (the “**SEBI InvIT Regulations**”), the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**SEBI Listing Regulations**”), this Risk Management Policy (the “**Policy**”) establishes the philosophy of Gawar Investment Manager Private Limited (the “**Investment Manager**”) the investment manager to the National Infrastructure Trust (“**InvIT**”) towards risk identification, analysis and prioritisation of risks, development of risk mitigation plans and reporting on the risk environment of the InvIT and the Investment Manager. The Policy is applicable to all the functions, departments and geographical locations of the Investment Manager and the InvIT. The purpose of the Policy is to define, design and implement a risk management framework for the Investment Manager to identify, assess, manage and monitor risks.

II. OBJECTIVE

The objective of the Policy is to manage the risks involved in all activities of the InvIT and the Investment Manager, to maximise opportunities and minimise adversity. The Policy is intended to assist in decision making processes that will minimise potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the InvIT and the Investment Manager to achieve their objectives. The objectives of the Policy can be summarised as follows:

- (a) To safeguard the InvIT property and interests of the InvIT and the Investment Manager;
- (b) To manage risks with an institutionalised framework and consistently achieving desired outcomes;
- (c) To protect and enhance corporate governance;
- (d) To implement a process to identify potential/ emerging risks;
- (e) To implement appropriate risk management initiatives, controls, incident monitoring, reviews and continuous improvement initiatives;
- (f) To minimise undesirable outcomes arising out of potential risks; and
- (g) To align and integrate views of risks across the InvIT and the Investment Manager; and
- (h) To implement the business continuity plan.

III. DEFINITION OF A RISK

Risk is an event or a probability of an event which can prevent, hinder or fail to further or otherwise obstruct an enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise’s ability to maximise stakeholder value and to achieve its business objectives.

IV. RISK MANAGEMENT SYSTEM



Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of the Trust's objective. The risk management system should have the following key features:

- (a) Active board of directors, committee and senior management oversight;
- (b) Appropriate policies, procedures and limits;
- (c) Comprehensive and timely identification, assessment, mitigation, controlling, monitoring and reporting of risks;
- (d) Appropriate management information systems at the business level;
- (e) Comprehensive internal controls in accordance with the applicable regulations; and
- (f) An effective communication framework.

V. RISK MANAGEMENT FRAMEWORK

The risk management committee formed by the board of directors of the Investment Manager ("IM Board") shall periodically review the Policy, at least once every two years, and evaluate the risk management systems so that management controls the risk through a properly defined network.

The heads of departments shall be responsible for implementation of the Policy as may be applicable to their respective areas of functioning.

VI. RISK MANAGEMENT PROCESS

Conscious that no entrepreneurial activity can be undertaken without assumption of risks and associated profit opportunities, the InvIT and the Investment Manager operate on a risk management process/ framework aimed at minimisation of identifiable risks after evaluation so as to enable management to take informed decisions.

A broad outline of the framework is as follows:

(a) Risk Identification:

The Investment Manager identifies certain potential events that may positively or negatively affect the ability of the InvIT / Investment Manager to implement its strategy and achieve its objectives and performance goals. Potentially, negative events represent risks and are assigned a unique identifier. The identification process is carried out in such a way that an expansive risk identification covering operations and support functions are put together and dealt with.

Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification:

- (i) **Strategic Risk:** Competition, high dependence on a single customer/vendor/contractor/sub-contractor.
- (ii) **Business Risk:** Project viability, process risk,
- (iii) **Finance Risk:** Liquidity, credit, currency fluctuation, interest rate.



- (iv) **Environment Risk:** Non-compliances to environmental regulations, risk of health to people at large.
- (v) **Personnel Risk:** Health & safety, high attrition rate, incompetence.
- (vi) **Operational Risk:** Process bottlenecks, non-adherence to process parameters/ pre-defined rules.
- (vii) **Reputation Risk:** Brand impairment.
- (viii) **Regulatory Risk:** Non-compliance to statutes, change of regulations.
- (ix) **Technology Risk:** Innovation and obsolescence.
- (x) **Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment.
- (xi) **Counterparty Risk:** Deterioration in the financial health of the counterparty providing revenues.
- (xii) **Cyber-security Risk:** Data breach, cyber attacks.

(b) **Investment Risk:** Interest rate fluctuation, market volatility.

(c) **Root Cause Analysis:**

Undertaken on a consultative basis, root cause analysis enables tracing the reasons/ drivers for existence of a risk element and helps developing appropriate mitigation action.

(d) **Risk Scoring:**

The Investment Manager considers qualitative and quantitative methods to evaluate the likelihood and impact of identified risk elements. Likelihood of occurrence of a risk within a finite time is scored based on polled opinion or from analysis of event logs drawn from the past. Impact is measured based on a risk element's potential impact on cost, revenue, profit etc. should the risk element materialize.

(e) **Risk Categorisation:**

The identified risks are further grouped into (a) preventable; (b) strategic; and (c) external categories to homogenize risks.

- (i) Preventable risks are largely internal to the InvIT / Investment Manager and are operational in nature. The endeavour is to reduce/ eliminate the events in this category, as they are controllable. Standard operating procedures and audit plans are relied upon to monitor and control such internal operational risks.
- (ii) Strategy risks are voluntarily assumed risks by the InvIT /Investment Manager in order to generate superior returns/ market share from its strategy. Approaches to strategy risk are backed by a risk-management system designed to reduce the probability that the assumed risks actually



materialize and to improve the Investment Manager's ability to manage or contain the risk events should they occur.

- (iii) External risks arise from events beyond the InvIT / Investment Manager's influence or control. They generally arise from natural and political disasters and major macro- economic shifts. The Investment Manager consistently endeavours to focus on their identification and impact mitigation through 'avoid'/'reduce' approach that includes measures like business continuity plan/ disaster management plan/ specific loss insurance/ policy advocacy etc.

(f) Risk Prioritisation:

Based on the composite scores, risks are prioritised for mitigation actions and reporting

(g) Risk Mitigation Plan:

The Investment Manager develops appropriate responsive actions upon review of various alternatives, costs and benefits, with a view to manage identified risks and limit the impact to tolerance level.

The mitigation plan covers:

- (i) Required action(s);
- (ii) Required resources;
- (iii) Responsibilities;
- (iv) Timing;
- (v) Performance measures; and
- (vi) Reporting and monitoring requirements

The mitigation plan also covers (i) preventive controls - responses to stop undesirable transactions, events, errors or incidents occurring; (ii) detective controls - responses to promptly reveal undesirable transactions, events, errors or incidents so that appropriate action can be taken; (iii) corrective controls - responses to reduce the consequences or damage arising from crystallization of a significant incident.

Therefore, it is drawn with adequate precision and specificity to manage identified risks in terms of documented approach (accept, avoid, reduce, share) towards the risks with specific responsibility assigned for management of the risk events.

(h) Risk Monitoring:

It is designed to assess risk events on an ongoing basis, the functioning of risk management components and the quality of performance over time. Staff members are encouraged to carry out assessments throughout the year.

- (i) Options for dealing with risk:



There are various options for dealing with risk.

Tolerate – If we cannot reduce the risk in a specific area (or if doing so is out of proportion to the risk) we can decide to tolerate the risk, i.e., do nothing further to reduce the risk.

Transfer – Risks might be transferred to other organisations, for example by use of insurance or transferring out an area of work.

Terminate – This applies to risks that cannot be mitigated other than by not doing work in that specific area. Therefore, if a particular project is of very high risk and these risks cannot be mitigated, it could be decided to cancel the project.

(j) Risk Reporting:

Periodically, key risks are reported to the IM Board or empowered committee with causes and mitigation actions undertaken/ proposed to be undertaken.

On regular periodic basis, the IM Board will, on the advice of the risk management committee, receive the certification provided by the CEO and the CFO, on the effectiveness, in all material respects, of the risk management and internal control system in relation to material business risks.

(k) Risk management measures adopted in general by the Investment Manager:

In order to mitigate the risks described above, the Investment Manager has adopted various measures, including but not limited to the following:

- (i) A well-defined organisation structure;
- (ii) Defined flow of information to avoid any conflict or communication gap;
- (iii) Hierarchical support personnel to avoid work interruption in absence/ non-availability of functional heads;
- (iv) Discussion and implementation on financial planning with detailed business plans;
- (v) Detailed discussion and analysis of periodic budgets;
- (vi) Employees training and development programs;
- (vii) Internal control systems to detect, resolve and avoid any frauds;
- (viii) Systems for assessment of creditworthiness of existing and potential contractors/ subcontractors/ dealers/ vendors/ end-users;
- (ix) Redressal of grievances by negotiations, conciliation and arbitration; and
- (x) Defined recruitment policy.

VII. COMMUNICATION AND CONSULTATION



Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

VIII. PERIODICAL REVIEW OF EFFECTIVENESS

Effectiveness of risk management framework is ensured through periodical internal audits. These play an important role to provide assurance to the audit committee that the critical processes continue to perform effectively, key measures and reports are reliable and established policies are in compliance.

In the event of any conflict between the Companies Act, 2013 or the SEBI InvIT Regulations, SEBI Listing Regulations or any other statutory enactments ("**Regulations**") and the provisions of this Policy, the Regulations shall prevail over this Policy. Any subsequent amendment/modification in the Regulations, in this regard shall automatically apply to this policy.

IX. APPROVAL OF THE POLICY

The Board will be the approving authority for the Investment Manager's overall risk management system. The IM Board will, therefore, approve this Policy and any amendments thereto, from time to time.

X. CONFLICT WITH LAW

In the event of any conflict between an applicable law including Companies Act, the SEBI InvIT Regulations or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the applicable law shall prevail over this Policy.

XI. REVIEW

The Board may review the policy at such intervals as may deem necessary, subject to the applicable law.

XII. AMENDMENTS

Any subsequent amendment/ modification in the Companies Act, the SEBI InvIT Regulations, the SEBI Listing Regulations and/or other applicable laws in this regard shall automatically apply to the Policy.

Approved and Adopted by the board of directors of Gawar Investment Manager Private Limited (Investment Manager) on behalf of National Infrastructure Trust.

Certified True Copy

Authorised Signatory
Shubham Jain
Company Secretary