



RISK MANAGEMENT POLICY
of
INTERSEA MARITIME LIMITED

INTERSEA MARITIME LIMITED

RISK MANAGEMENT POLICY

INTRODUCTION

Audit Committee (“Committee”) shall focus on internal financial controls and risk management system. It is noted that the establishment of the Committee does not diminish the responsibilities of the Board as a whole for risk management of the Company.

OBJECTIVE

The Company is prone to inherent business risks. 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 business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management and to guide decisions on risk related issues. The objective of this policy shall be as under:

1. Providing a framework that enables future activities to take place in a consistent and controlled manner;
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
3. Protecting and enhancing assets and company image;
4. Developing and supporting people and knowledge base of the organization;
5. Optimizing operational efficiency;
6. Enabling compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
7. Assuring business growth with financial stability.

REGULATORY FRAMEWORK

Risk Management Policy is framed as per the following regulatory requirements of the Companies Act, 2013:

1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include a statement indicating development 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 threaten the existence of the company.

2. Provisions of the Section 177(4)

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 internal financial controls and risk management systems.

3. Provisions of Section 149(8)

The independent directors shall:

- a) Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct.
- b) Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

IMPLEMENTATION

The Board of Directors and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

Head of Departments/Senior Managerial personnel shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report during Internal Review Meeting any material risks and discrepancy arising in the system.

The Chairman of the Audit Committee shall be responsible to take such matters immediately to the Committee and Board in case of necessity otherwise shall report to the Board annually on the actions taken by them.

APPLICATION

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

ROLES AND ACCOUNTABILITIES

1. Senior Management Personnel

Risk Identification is obligatory on all departmental and functional heads who shall with the inputs from their team members are required to report the risks identified along with their considered views and recommendations for risk mitigation.

Therefore, the Senior Management Personnel of the company shall meet at least once in every month and shall discuss in detail about working of Company in order to take proactive decisions. Such meeting shall be called ***Internal Review Meeting***. In this meeting, the Senior Management Personnel shall apprise about operations vis-à-vis business outlook/plan w.r.t their department during a month, shortcoming, and threat and shall suggest further course of action.

2. Audit Committee

The Committee will advise the Board on risk management and assist the Board to fulfill its risk management and oversight responsibilities.

3. Board of Directors

The Board shall review the performance and financial result of the Company in comparison with the budget approved by it considering the forecasted performance of the Company's business. The Board shall annually review the effectiveness of this policy and the risk management systems in place.

4. Internal Audit

Internal audit shall cover reviewing compliance with systems, procedures and internal controls. The internal audit report shall review adequacy and efficacy of existing internal controls in all areas including regulatory compliance, operations, chartering, purchase, human resource and management, administration, I.T., accounts and budgetary and to suggest measures to strengthen them further.

BROAD PRINCIPLES

Step I: Risk identification

To identify organization's exposure to uncertainty, risk may be classified in the following:

1. Financial Performance Risks:

(i) Market Risk

Adverse financial impacts may be due to:

- Earnings volatility;
- Cost volatility including fuel prices, interest rates and other operating costs;
- Exchange rate volatility from the currencies we use.

- (ii) Vessel Investment & Deployment Risk
- (iii) Credit Risk
- (iv) Liquidity Risk
- (v) Insurance Risk
- (vi) Supplier Performance Risk

2. Stakeholder Relationship Risks:

- (i) Customer Satisfaction & Reputation Risk
- (ii) Banking Relationships Risk
- (iii) Employee Engagement Risk
- (iv) Government Policy, Regulation and Compliance Risk
- (v) Investor Relations Risk

3. Risks to Safety, Environment and Reliability:

- (i) Safety Risk
- (ii) Environmental Risk
- (iii) Vessels & Systems Risk

Step II: Risk Evaluation

To analyze the identified risks in a structured format:

Name of Risk	
Scope of Risk	Qualitative description of events with size, type, number etc
Nature of Risk	
Quantification of Risk	Significance & Probability
Risk Tolerance/Appetite	Loss Potential & Financial impact of Risk
Risk Treatment and Control Mechanism	Primary means Level of Confidence Monitoring & Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function responsible to develop strategy & Policy

Step III: Risk management

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified.

Efforts shall be taken to mitigate the risk identified during the Internal Review Meeting based on action plan approved by the Chairman and Managing Director of the Company and chairman of Audit Committee. However, in case the risk identified is material in nature then the same shall be informed to the Audit Committee and Board for approving Action plan.

Material risk means the risk having effect of more than 10% of the estimated turnover of the Company during the financial year.

Through deliberations of the Audit Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

The Action Plan and guidelines decided by the Audit Committee shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on Risk Treatment. It shall consider prioritizing risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

1. Effective and efficient operations
2. Effective Internal Controls
3. Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

Step IV: Risk Reporting

The Chairman of Audit Committee shall submit a periodical report to the Audit Committee and Board about the measures taken for mitigation of material risk based on the outcome.

REVIEW

This policy shall be reviewed by the Audit Committee and the Board of Directors from time to time as may be necessary.

This Policy will be communicated to all heads of department/Senior Managerial Personnel of the Company.

AMENDMENT

This Policy can be modified at any time by the Audit Committee of the Company.
