SWAN LNG

RISK MANAGEMENT POLICY

I. PREAMBLE

Risk as defined by the Oxford dictionary is a chance or possibility of danger, loss, injury or other adverse consequences.

Risk management, by and large involves reviewing the operations of the organization, followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

The Companies Act, 2013 emphasize the requirement of Risk Management Policy for the Company.

Pursuant to section 134 of the Companies Act, 2013, 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 shall be included in the Board's Report.

Pursuant to section 177 (4) of the Companies Act, 2013, the Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company and pursuant to schedule IV [Section149 (8)], the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible.

This Policy is framed in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto.

II. RISK MANAGEMENT PROCESS

(i) Identification – Recognition / anticipation of the risks that threaten the assets and earnings of the Company.

(ii) Evaluation / Assessment – Estimation of the likely probability of a risk occurrence and its likelyseverity, categorization of risk and rating of risk.

(iii) Prevention & Control – Measures to avoid occurrence of risk, limit its severity and reduce its consequences, selecting the risk management technique by category and individual risk.

(iv) Financing – Determining the cost of risk likely to be and ensuring that adequate financial resources are available, implementing the selected technique.

(v) Measure and Monitor effectiveness of controls and respond according to the results and improving the program.

(vi) Reviewing and reporting on the Risk Management process at appropriate intervals, at least annually.

III.RISK MANAGEMENT TECHNIQUE

- Risk Transfer to another party, who is willing to take risk, by buying an insurance policy or entering into a forward contract.
- Risk Reduction, by having good internal controls.
- Risk Avoidance, by not entering into risky businesses.
- Risk Retention, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained and.
- Risk Sharing, by retaining to the extent that can be retained and transferring the balance.

IV. RISKS SPECIFIC TO THE COMPANY AND MITIGATION MEASURES

Financial risks

S. no	Threat	Mitigation Measures
1.	Confidentiality risks	Education and clear- cut policy to be circulated and acknowledged by all involved.
2.	Exchange rate	Before finalizing the price of the product, the exchange rate fluctuations should be observed carefully. Economic conditions in the country and outside wherever natural hedge is not available, company to take hedging.
3.	Change in taxation policies	Proper tax planning can minimize this risk to an extent Updating with latest amendments in the policies/tax rates to avoid penalties. Do sensitive analysis.
4.	Country risks	Risks associated with the countries (with which we are doing business) will be examined before getting into any contract.
5.	Financial leverage risks	Debt equity ratio is monitored and managed for each project.
6.	Expenditure risks	All the expenditures have to be tied to revenue and revenue generation capabilities. Search for wasteful expenditure will be regularly carried and such expenditure will be reduced /eliminated.
7.	Risks in settlement of dues by dealers/customers	Systems are put in place for assessment of creditworthiness of dealers/customers.
8	Provision for bad and doubtful debt	Provision for bad and doubtful debts is made to arrive at correct financial position of the Company. Appropriate recovery management and follow up.
9	Blockage of funds – Delay in realization of sales	Timely realization by rigorous follow-up and meeting the clients

Business Risks:

S. no	Threat	Mitigation Measures
1.	Delay in approval of Bill of Material (BOM) for product /outdated BOM approval	(a) Timely release of BOM for each order personally monitored by the concerned project leader. (b) BOM approval to be updated.
2.	Delay in Procurement	(a) Weekly monitoring by Senior Management keeping inview the business plan. (b) Alternate source for all the items wherever no vendor development cost involved. (c) Maintain the stock of items. (d) Advance action for procurement of single source items and long lead items.

3.	Employees turn out	(a) Retaining the required technicians by motivating them through monetary and non-monetary benefits. (b) Training more persons on multiple skills.
4.	Obsolescence of input material	(a) New input material needs to be integrated and whole product to be tested for reliability. (b) Modification in BOM and associated modifications in business process. (c) Updating documents on regular basis.
5.	Spike in work / spike in orders	(a) Tight feedback look between departments to be maintained. (b) Outsourcing and employing workers on contract basis and limiting our scope of work. (c) Building up WIP on high lead time low-cost items in anticipation of orders.
6.	Transportation Risk	Employee accompanies the transport vehicle carrying important goods and keeps informed about vehicle movement and transit insurance for all material arranged.

Legal Risks:

S. no	**Threat/Process**	**Mitigation**
1.	Contract Risks	A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
2.	Contractual Liability	Vetting of all legal and contractual documents
3	Insurance Risks	Insurance policies are audited to avoid any later disputes. Timely payment of insurance and full coverage of properties of the Company under insurance.
4	Frauds	Internal control systems for proper control on the operations of the Company and to detect any frauds.

V. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.