



HUBTOWN LIMITED

REVISED RISK MANAGEMENT POLICY

(Effective from December 1, 2015)

HUBTOWN LIMITED
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HUBTOWN LIMITED

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I. INTRODUCTION :

Oxford Dictionary defined the term 'Risk' as a chance or possibility of danger, loss, injury or other adverse consequences. Risk is an inevitable and a necessary adjunct to the functioning of an organization. Whether it is a strategic decision-making or carrying on normal day-to-day operations of a company, almost every activity involves an element of risk or uncertainty. Risk management assists in identification, assessment and prioritization of the various risks faced by a company. It helps the organization to understand potential risks, their impact and provides an opportunity to be prepared with alternative risk responses to mitigate/reduce the occurrence or impact of such risks.

The Company, being primarily engaged in the business of execution and development of real estate project, is exposed to varying degree of uncertainty both at the micro and macro levels which affects the economy as a whole and the real estate sector as well. Effective risk management is, therefore, crucial for the Company to optimize its performance.

II. PREAMBLE :

The Companies Act, 2013 (the 'Act') read with Regulation 17 (9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations, 2015) have revised the regulations governing 'Risk Management' by a listed entity.

In order to reconcile the procedural requirements under the Act and SEBI Listing Regulations, 2015, this Policy was revised and appropriately amended by the Board of Directors in its meeting held on November 14, 2015. This Policy shall be effective from December 1, 2015 and shall be application to all functions and departments of the Company.

III. OBJECTIVES :

'Risk Management' is a continuous and dynamic process that involves identification, assessment, analysis, and measurement of all potential threats, events, and associated risks which may have a bearing on the achievement of stated objectives or operations of a company.

This Policy lays down the framework for risk management at Hubtown Limited. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

The strategic objectives of this Policy are :

- i. Providing a framework that enables future activities to take place in a consistent and controlled manner;
- ii. Improving decision making, planning and prioritization by comprehensive structured understanding of business activities, strength, weaknesses, opportunities and threats (SWOT analysis);
- iii. Ensuring more efficient use/allocation of resources within the organization;
- iv. Balance between the cost of managing the risk(s) and anticipated benefits;
- v. Optimizing operation efficiency;

IV. REGULATORY FRAMEWORK :

A. COMPANIES ACT, 2013

1. Section 134 (3)

‘There shall be attached to the financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include –

- (n) 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. 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 –

- (vii) evaluation of internal financial controls and risk management systems;’

3. Schedule IV [Section 149 (8)]

CODE FOR INDEPENDENT DIRECTORS

II. Role and functions :

‘The independent directors shall :

- (1) 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;
- (4) satisfy themselves in the integrity of financial information and that financial controls and the **systems of risk management** are robust and defensible.’

B. SEBI LISTING REGULATIONS, 2015

- 1. Regulation 17 (9) (a) requires every listed entity to lay down procedures for informing the Board members about risk assessment and minimization procedures.
- 2. Regulation 17 (9) (b) stipulates that the Board of Directors of a listed entity shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
- 3. Regulation 21 stipulates the constitution of ‘Risk Management Committee’ and defining its composition, terms of reference and other related matters.
- 4. Part ‘C’ of Schedule II provides that the role of the Audit Committee as laid down in sub-clause ‘A’ (11) shall include evaluation of internal financial controls and risk management systems.’

Hubtown Limited, being a listed company, is required to adhere to the regulations made by both the Companies Act, 2013 and SEBI Listing Regulations, 2015

V. ENTERPRISE RISK MANAGEMENT [ERM] :

- 1.1 **'Enterprise Risk Management'** is a discipline by which an organization in any industry assesses, controls, exploits, finances and monitors risks from all sources for the purpose of increasing the organisation's short-term and long-term value to all its stakeholders.
- 1.2 The Company has adopted a comprehensive Enterprise Risk Management (ERM) framework which will enable the Company to take an appropriate level of risks in its businesses and also enhances its ability to manage and mitigate such risks.
- 1.3 The risk categories covered under the ERM programme include operation, financial, business development, marketing as well as compliance-related risks across various levels in the organization.
- 1.4 **Scope of ERM :**
 - 1.4.1 Aligning risk appetite and strategy
 - 1.4.2 Enhancing risk response decisions
 - 1.4.3 Reducing operational surprises and losses
 - 1.4.4 Managing multiple and cross enterprise risks
 - 1.4.5 Grabbing opportunities
 - 1.4.6 Improving deployment of capital
- 1.5 **Objectives of ERM:**
 - 1.5.1 Improve risk-based decision making
 - 1.5.2 More effective use of capital
 - 1.5.3. Comply with regulatory changes
 - 1.5.4 Improve shareholder value
 - 1.5.5 Anticipating problems before they become a threat
 - 1.5.6 Co-ordinating various risk management activities

VI. ENTERPRISE RISK MANAGEMENT FRAMEWORK :

- 1.1 **Risk Identification and Classification**
 - Risks from internal and external sources have to be identified.
 - Risk identification can start with the source of the problem or the problem itself in consultation with all the concerned departments and functions.
 - Risks have been broadly classified as provided in the attached **Annexure – I**.
- 1.2 **Risk Assessment and Risk Analysis**
 - Each Head of Department shall own the risk pertaining to their respective functions.
 - The risk owner shall interface with other departmental heads whenever cross-functional business processes are involved.
 - The risks shall be analysed in detail, considering likelihood and impact, as a basis for determining how they should be managed.
 - Risk Assessment consist of a detailed study of threats and vulnerability and resultant exposure to various risks.
 - The exhibit in **Annexure – II** shows an example of 'Risk Management Model'. In this example, one can assess where a particular risk falls in terms of probability and impact and accordingly establish the organizational strategy to manage the risk.

1.3 Risk Mitigation

- The management shall adopt a systematic approach to mitigate risks associated with the accomplishment of objectives, operations, revenues and regulations.
- As can be seen in the Annexure-I, mitigating factors have been identified for majority of the perceived risks. There is, however, always a residual risk attached to the business. Hubtown has, therefore, put in place a continuing monitoring mechanism to deal with risks on an ongoing basis.

VII. IMPLEMENTATION OF RISK MANAGEMENT POLICY :

The Head of respective Departments (HODs) shall be responsible for implementation of this Risk management Policy, as may be applicable to their respective areas of functioning and report to the Risk Management Committee, who in turn shall co-ordinate with the Audit and Compliance Committee.

VIII. RISK MANAGEMENT COMMITTEE :

1. The Board of Directors shall constitute a 'Risk Management Committee'.
2. The majority of members of the 'Risk management Committee' shall consist of members of the Board of Directors.
3. The Chairperson of the 'Risk Management Committee' shall be a member of the Board of Directors and senior executives of the Company may be members of the Committee.

IX. TERMS OF REFERENCE OF RISK MANAGEMENT COMMITTEE :

- i. To oversee and approve the risk management, internal compliance and control policies and procedures of the Company;
- ii. To evaluate significant risk exposures of the Company and assess the management's actions to mitigate the exposures in a timely manner;
- iii. To establish policies for the monitoring and evaluation of risk management systems in order to assess the effectiveness of those systems in minimizing risks that may adversely affect the operations/business of the Company;
- iv. To ensure that the Company takes appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;
- v. To oversee and monitor management's documentation of the material risks that the Company faces and update the same as events change and risks shift;
- vi. To review reports on any material breach of risk limits and the adequacy of the proposed actions undertaken; and
- vii. To review its own performance, constitution and terms of reference to ensure that it is functioning at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

X. DISCLOSURE IN BOARD'S REPORT :

The Report of the Board of Directors of the Company shall include a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, which in the opinion of the Board of Directors may threaten the existence of the Company.

XI. APPLICABILITY OF THIS POLICY:

This Policy shall apply to all the areas of the Company's Operations.

XII. REVIEW OF THE POLICY:

This Policy shall be reviewed and amended by the Board of Directors from time to time based on changes in business practices and risk assessment or any statutory enactment or amendment thereto.

XIII. DISCLOSURE ON WEBSITE :

This Policy shall be hosted on the Company website – www.hubtown.co.in and the web link thereto shall be disclosed in the Annual Report.

XIV. DISCLAIMER CLAUSE :

The Management cautions the readers that the risks outlined in Annexure- I hereto are not exhaustive and are for information purposes only. The Management is not an expert in the assessment of risk factors risk mitigation measures and Management's perception of risks. Reader are, therefore, requested to exercise their own judgment in assessing various risks associated with the Company.

Title	Revised Risk Management Policy	Approved by	Board of Directors
Version	2	Date	November 14, 2015

Impact	Risk Management Actions		
Significant	Considerable management required	Must manage and monitor risks	Extensive management essential
Moderate	Risks may be worth accepting with monitoring	Management effort worthwhile	Management effort required
Minor	Accept risks	Accept, but monitor risks	Manage and monitor risks
	Low	Medium	High
	Likelihood		