



# RISK MANAGEMENT POLICIES AND PROCEDURES

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## **1. Background and Purpose**

- (a) Equicap Asia Management Pvt. Ltd. (“**Company**”) is set up to provide investment and asset management services for infrastructure projects in South and South East Asia.
- (b) The objective of the Company is to operate as an investment and asset management company to develop infrastructure projects (“**Project**”) in South and South East Asia region. Assessing and managing risk in relation to the Company and Project is an important part of the mission and operations of the Company. This document describes the Company’s requirements with respect to risk identification, assessment, management and reporting.

## **2. Framework and Applicability**

- (a) The Company’s Risk Management Policy and Procedures (“**Policy**”) provide the framework and requirements for identifying, assessing, managing, and reporting risks that may impact the Company and/or the Project, including risks relating to governance, compliance, legal, market, finance, development, construction, operation, environment and social, health and safety, and human capital.
- (b) This Policy shall be applicable to the Company (including its directors, officers, employees and the Project), and to other participants and organizations including Company Participants (*as defined in Company’s Compliance Manual*) involved with the Company and/or the Project.

## **3. Risk Management Policy**

- (a) Failure to comply with the necessary standards including the policies of the Company is a damage to the Company, as the same could lead to jeopardising the Project and reputation of the Company. Anything that undermines the credibility or integrity of the Project undermines the Company and undermines other partners of the Company.
- (b) The Company recognizes the requirement of a robust risk management policy and procedures and therefore, the Company shall have a strong risk awareness and risk intelligence culture and shall ensure that the management of risk, including the risk of misuse of the funds, is treated with the utmost vigor and strength. A key part of risk management shall be the adherence to the Company’s Code of Conduct and Operating Policies and Procedures (“**OPPs**”).
- (c) The Company and the Company Participants shall develop and maintain a sound framework for the identification and management of developmental, business, financial and reputational risks.
- (d) The Company will determine the nature and extent of the significant risks that it is willing to take in achieving its own strategic objectives.

- (e) Recognizing that it is impossible to eliminate risk entirely, the Company and the Company Participants shall, nevertheless, seek to understand the nature and levels of risk as far as possible in order to make appropriate and informed decisions regarding levels of risk acceptance.
- (f) Identification, documentation and reporting of risks is both essential and fundamental to strong risk management. Accordingly, robust risk identification, documentation, and reporting control mechanisms shall be developed and implemented in the Company and/or Project. Such implementation will optimize the risk assessment intelligence.
- (g) The Company will conduct periodic reviews, at least annually before the end of each calendar year, of the effectiveness of its risk management, internal control, and reporting systems. Such reviews will cover all material controls, including financial, operational and compliance controls, and compliance with the OPPs. The findings of such reviews will be reported to the board of directors of the Company (“**Board**”).
- (h) The Board and the Executive Management (as defined under Company’s Compliance Manual) will be responsible for assessing the risk appetite, risk tolerance and likely returns, both social and economic, of the Company and the Project. Company Participants will be advised from time-to-time of the Company’s risk appetite and risk tolerance and shall manage risks against such risk appetite and risk tolerance in respect of the Project.
- (i) The Company will implement and demonstrate appropriate independent risk governance through the establishment and operation of a risk function (“**Risk Function**”), which will comprise of 2 (two) directors of the Company and a person of relevant experience in risk management.

#### 4. Risk Management Procedures

##### 4.1 Objectives

- (a) The overall aim of this Policy is to define risk management and to provide guidelines for the establishment and implementation of appropriate risk identification, assessment, management and reporting processes and tools.
- (b) This Policy:
  - (i) provides a structured framework for risk management processes that seek to ensure that risk management standards are maintained, monitored and reported;
  - (ii) define the responsibilities and duties of key parties involved in the risk management process;
  - (iii) Identify the types of material risks inherent in the lifecycle of typical infrastructure projects; and

- (iv) document the risk management, monitoring and reporting requirements and processes at the corporate and project level.

## 4.2 Risk Management Principles

In order for risk management to be effective, Company Participants must comply with the principles at all levels.

### 4.2.1 Principle #1: Management Responsibility for Overall Risk Strategy

- (a) The Board and the Executive Management will define the overall risk strategy for the Company to reflect the levels of risk appetite and risk tolerance that are acceptable to the Board.
- (b) The Board will establish the Risk Function which, in conjunction with the Executive Management will ensure that the risk framework is embedded within the Company and shall ensure that the Company's overall risk strategy is implemented in accordance with this Policy.

### 4.2.2 Principle #2: Risk Governance Structure and Risk Process

- (a) The risk governance structure, and the roles and responsibilities of Company Participants in the risk process with respect to the Company and/or the Project shall be clearly defined and shall cover all material risks.

'**material risk**' in this context includes all issues of possible or actual fraud or corruption, any financial issues of personal improbity to whatever value and any transactions that may be open to misrepresentation or misunderstanding and which may or will result in or cause any risk to the reputation of the Company including its sponsors.

- (b) Reporting lines shall be transparent, and requirements for reporting, independent controls, confidentiality and sharing of information, and avoiding conflicts of interests with respect to the Company and/or the Project shall be clearly documented and communicated throughout each respective organization.

### 4.2.3 Principle #3: Risk Management and Risk Control Duty Segregation

- (a) The Company and Company Participants shall ensure that there are appropriate measures and procedures in place such that directors, officers and employees act objectively and avoid conflicts of interest.
- (b) In cases where there is an unavoidable conflict of interest, such conflict of interest shall be disclosed to the Company. In addition, the respective Company Participant shall

cooperate with the Company to ensure that the identified conflict of interest is appropriately managed and mitigated, so as to avoid any impropriety or any suggestion of impropriety.

#### **4.2.4 Principle #4: Sound risk management**

Risk considerations are part of all business decisions.

Activities that lead to risks for the Company and the Company Participants should be governed by the risk limits established in the Compliance Manual and the OPPs which set out more detailed standards for managing specific areas of risk and compliance.

#### **4.2.5 Principle #5: Risk Communication and Reporting**

- (a) Identified risks shall be openly and pro-actively communicated to the Executive Management. Further, it is the duty of Company Participant's and organization involved with the Project to openly and pro-actively communicate and report any risks identified in the Project to the Company. All such risks communicated to the Company shall be recorded in the form of report in the risk register.
- (b) Senior management, up to board level, shall be comprehensively informed in a timely manner about the respective organization's risk profile, relevant key risks, and profits and losses.
- (c) Internal communication and reporting of risks shall be complemented, where necessary, with appropriate disclosure by the Company to affected and/or interested external stakeholders, including investors, governments and the public.

#### **4.2.6 Principle #6: Risk Information Disclosure Protocols**

- (a) Company Participants shall cooperate and collaborate with the Company to ensure that appropriate communication protocols are established and implemented to enable complete, timely, relevant and consistent disclosure to the Company of risk information with respect to the Project. Unless any other protocol is communicated to the Company Participants, any such risk disclosure communication will be to the Board and/or Executive Management.

#### **4.2.7 Principle #7: Risk Process Personnel or Consultants**

- (a) The Company shall ensure that qualified risk personnel and/or consultants are assigned to support the entire risk identification, management, monitoring and reporting process with respect to the Project.
- (b) The partners of the Company in respect of any Project shall ensure that qualified risk

personnel and/or consultants are taken on board to support the entire risk identification, management, monitoring and reporting process with respect to the Project. Before finalizing the partner for any Project by the Company, the Company shall ensure compliance of the aforesaid.

#### **4.2.8 Principle #8: Evaluation of Risk Control Effectiveness**

- (a) Appropriate and effective controls shall be established and implemented for within, and in connection with, the Project. Such controls shall cover processes and procedures for risk identification, measurement, evaluation, limitation, mitigation, or avoidance, as well as active risk management, monitoring and reporting.
- (b) The Company shall be entitled to review and assess compliance by Company Participants with this Policy. Any identified non-compliances shall be immediately remedied.
- (c) The Company shall, in addition, be entitled to commission third party external audits of the risk management processes and procedures of Company Participants to confirm that such processes and procedures follow this Policy. The external audits will also assess compliance with the documented policy, processes and procedures. Any identified non-compliances shall be immediately remedied.

#### **4.2.9 Principle #9: Business continuation procedures**

The Company shall have adequate and comprehensive business continuation plans or procedures are in place and tested to address any material disruption to normal operations.

#### **4.3 Risk Management Process Overview**

- (a) Comprehensive and correct identification and assessment of risks shall be the basis for the management of such risks.
- (b) Both quantitative and qualitative approaches shall be used for the complete and consistent determination of the risk profile of the Company and the Project.
- (c) The following criteria shall be followed to ensure that the methods for identification and assessment of quantifiable risks with respect to the Company and/or the Project are adequate and consistent:
  - (i) Risk limits shall be based on loss-oriented measures where possible, including the potential for loss of reputation of the Company;
  - (ii) All regulatory and statutory assessment and filings are conducted and completed in compliance with the jurisdictional laws and all applicable regulatory and

disclosure requirements; and

- (iii) Risks shall be analyzed pursuant to a range of defined qualitative criteria, reduced through appropriate actions and processes, and monitored closely.

#### **4.4 Risk Categories**

- (a) The list set out below summarizes the key risk categories that are applicable to the Company and the Project:
  - (i) Financial
  - (ii) Market
  - (iii) Political, Legal & Regulatory
  - (iv) Governance, Compliance & Integrity
  - (v) Management & Organization
  - (vi) Human Resources & Skills
  - (vii) Health & Safety
  - (viii) Environment & Social
  - (ix) Force Majeure
  - (x) Technical
  - (xi) Implementation & Operation

Project specific risk assessment shall be undertaken by the Management Team to identify and implement mitigants, where practical, for the identified risks.

#### **4.5 Risk Management and Control Process**

The risk management and control process to be followed by the Company and with respect to the Project broadly involves four (4) steps, set out below:

##### **4.5.1 Risk Identification and Recording - Risk Registers**

- (a) Identify all of the risks that the Company may be exposed to, as well as their sources, areas of impact, their causes and their potential consequences. Relevant and current information shall be used in identifying risks, as well as their sources, causes, potential areas of impact, and potential consequences.
- (b) Personnel with appropriate knowledge and relevant experience such as Risk Function should be involved in the risk identification process.
- (c) Any risk related to compliance, breach of laws, or involvement with a government institution or court, or risks related to environment, social, health or safety - even small risks - may lead to substantial reputational damage for the Company. Accordingly, such possibility shall be considered in the identification of risks and the associated risk

mitigation planning and actions.

- (d) Risk registers shall be prepared, maintained, and updated as necessary, by the Company to ensure that all current and future risks are monitored and that, with respect to each risk, the nominated responsible person and/or organization takes appropriate actions to obviate the occurrence of such risk.

#### **4.5.2 Risk Analysis**

- (a) The analysis of each risk shall include the following activities:
  - (i) Define the risk consequences and likelihood criteria;
  - (ii) Assess the risk against the consequences and likelihood criteria;
  - (iii) Determine the risk level and likely risk outcome; and
  - (iv) Assign ownership of the risk to the organization, person or persons who will be responsible for managing that risk.
- (b) The results of the above risk analysis activities shall be recorded in the respective risk register.

#### **4.5.3 Risk Assessment and Treatment**

- (a) Risk assessment and treatment may involve any of the following:
  - (i) Avoiding the risk, by deciding not to start or to continue with the activity that gives rise to the risk;
  - (ii) Accepting the risk but with the imposition of appropriate controls and/or mitigation measures;
  - (iii) Removing the risk sources;
  - (iv) Taking steps to minimize the risk and/or the potential impacts of the risk;
  - (v) Sharing the impact of the risk with another party or parties (including through insurance or contracts and risk financing); and
  - (vi) Accepting the risk by informed decision.
- (b) Appropriate, considered and documented decisions shall be made with respect to acceptance or non- acceptance of each identified risk. Appropriate actions and risk

treatment plans shall be identified for each accepted risk.

- (c) Once an appropriate risk treatment has been determined for a risk, it shall be recorded in the respective risk register for that risk.
- (d) Risk treatment assessments shall be formally documented and recorded.

#### **4.5.4 Risk Evaluation, Treatment, and Assessment of Controls and/or Mitigation Measures**

- (a) All risks have to be evaluated and avoided by the Company. Having said that, the risks shall be prioritized to identify which risks need to be immediately addressed for an action and those risks for which an action may be deferred, with the most urgent risks being top priority.
- (b) Appropriate risk mitigation measures, if any, that could be used to manage each risk shall be identified and recorded in the respective risk register. Such risk mitigation measures shall be assessed for adequacy to avoid, mitigate or manage each risk.
- (c) If existing risk mitigation measures are assessed as being inadequate, additional mitigation measures or further actions shall be identified for implementation to ensure that the risk is appropriately avoided, mitigated or managed.

#### **4.6 Risk Monitoring and Reporting**

##### **4.6.1 Risk Registers**

- (a) Each risk register shall serve as an ongoing and continuous record of the identified risks and the related controls used for the management of such risks and shall demonstrate the use of active risk management and mitigation as applicable. Risk registers shall also be used for ongoing recording, monitoring and assessment of risk limits, and review of risk profiles and non-quantifiable risks.
- (b) Participants shall undertake regular and ad-hoc reporting of risk and risk management information with respect to the Project.
- (c) The risk registers for the Project shall be regularly monitored and updated by the respective Company Participant whenever a significant new or changed risk is identified with respect to the Project.
- (d) Updated or amended risk registers shall be submitted to the Company whenever a significant new or changed risk status is identified. In addition, all risk registers with respect to the Project shall be submitted quarterly to the Company.

#### 4.6.2 New or Changed Risks and Incident Reporting

- (a) The Company shall be advised immediately, whenever a significant new or changed risk is identified or any incident has occurred that may potentially lead to reputational damage to the Company and/or to its sponsors. Significant new or changed risks shall include risks that are assessed as having a high impact or high probability.
- (b) Risk incident reports shall be prepared and submitted to the Company by Company Participants within 1 (one) day of occurrence of an incident or identification of a significant new or changed risk. Such risk incident reports shall be preceded and/or followed by other written and verbal information as may be available and pertinent.
- (c) **Appendix A** provides a risk incident report template to be used by the Company and Company Participants.

#### 4.7 Risk Management Quality Assurance and Control Monitoring

- (a) Risk identification, management, monitoring and reporting functions and processes shall be periodically subjected to quality assurance assessments to validate the related organizational structure and effectiveness of such functions and processes, and the completeness and consistency of disclosure of risk and risk management information.
- (b) Risk management quality assurance assessments shall include review of the Risk Management Policy and Procedures and the format and structure of the risk register model.

### 5. Risk Management Responsibilities

#### 5.1 Board

- (a) The Board is ultimately responsible for assessing and defining the Company's overall risk strategy and policy to reflect the levels of risk appetite and risk tolerance that are acceptable to the Board and in conformance with this Policy.
- (b) The Board has delegated responsibility to the Risk Function for oversight of the implementation by the Executive Management of the Company's overall risk strategy, policy and procedures.

#### 5.2 Executive Management

- (a) The Executive Management shall serve as a proactive, executive level, discussion, screening and decision-making forum for promoting risk awareness and ensuring compliance with these Risk Management Policy and Procedures.

- (b) Key responsibilities for the Executive Management shall include the following:
- (i) Oversight of the risk management processes and procedures of the Company;
  - (ii) Ensure the application of an integrated risk and risk management strategy that conforms with the levels of risk appetite and risk tolerance that are acceptable to the Board;
  - (iii) Inform the Risk Function of the Company's risk profile and any risk related issues or concerns;
  - (iv) Foster a sound risk identification and risk management culture in the Company and promote the communication and understanding of risk categories and the types of risks that could arise within those risk categories;
  - (v) Identify new potential risks and risk traps and develop a range of possible mitigation measures to manage and control such risks; and
  - (vi) Identify significant risks for which existing mitigation measures may be found to be inadequate, and initiate an escalated response to such risks, e.g. through amended, enhanced, or new mitigation measures, or other appropriate means.

## **6. Amendment**

This document may only be amended with the approval of the Board. Any amendments to this document will only take effect when the amended document is adopted and approved by the Company and/or published on the Company's website, if any.

**APPENDIX A  
Risk Incident Report Template**

<b>Risk/Incident Report</b>			
<b>Project Name</b>			
<b>Project ID No.</b>	[LLL-nnnn-LLL-	<b>Risk/Incident ID No.</b>	
<b>Risk Register No. (if applicable)</b>		<b>Risk ID No. (if applicable)</b>	
<b>Date of Risk/Incident</b>		<b>Time of Risk/Incident</b>	
<b>Contact Person Name</b>		<b>Telephone No.</b>	
<b>E-mail Address</b>			
<b>A. Risk/Incident Summary</b>			
<b>1.</b>	<b>Risk/Incident Category</b>	[e.g. Health & Safety; Environment & Social; Force Majeure, etc.]	
<b>2.</b>	<b>Exact Location</b>		
<b>3.</b>	<b>Risk/Loss Severity</b>	<input type="checkbox"/> High	<input type="checkbox"/> Medium <input type="checkbox"/> Low
<b>4.</b>	<b>Recurrence Probability</b>	<input type="checkbox"/> Frequent	<input type="checkbox"/> Occasional <input type="checkbox"/> Rare
<b>5.</b>	<b>Risk/Incident Description</b>		
<b>6.</b>	<b>Background Information (if applicable)</b>		
<b>7.</b>	<b>Notifications to Relevant Authorities (if applicable)</b>	[Police, Fire, Health, Labour, etc.]	
<b>8.</b>	<b>Immediate Mitigation Measures Undertaken (if applicable)</b>		
<b>B. Current Situation Assessment (be factual; avoid speculation)</b>			
<b>1.</b>	<b>Has Situation Stabilized?</b>		
<b>2.</b>	<b>Are there remaining hazards to personnel and/or property?</b>		
<b>3.</b>	<b>Are there ongoing risks and/or concerns?</b>		

4.	What resources and/or actions are required immediately?	
5.	What and when are follow-up resources and/or actions needed?	
6.	Is a Risk Treatment Plan needed? If so, who will prepare it, and when will it be prepared?	
<b>C. Risk/Incident Impact Assessment</b> (be factual; avoid speculation)		
1.	Health & Safety Impacts	
2.	Environmental Impacts (if applicable)	
3.	Social/Community Impacts (if applicable)	
4.	Property Impacts (if applicable)	
5.	Regulatory Impacts (if applicable)	
6.	Other Impacts (if applicable)	
<b>D. Additional information is available from:</b>		
1.	Name	

<b>2.</b>	<b>Title</b>	
<b>3.</b>	<b>Address</b>	
<b>4.</b>	<b>E-mail</b>	
<b>5.</b>	<b>Mobile No.</b>	