



[RISK MANAGEMENT POLICY]

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1. RISK MANAGEMENT POLICY

1.1 INTRODUCTION AND BACKGROUND

GMR Airports Limited (GAL) has been following the Group Risk Management policy for its risk management function. The Group Risk Management policy was *institutionalized in 2010, revised in 2014 and reassessed by the GMR Group in 2020.*

Due to amendments in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) and as per the Circular issued by Reserve Bank of India on February 3, 2021 on Risk Based Internal Audit (RBI Circular), the Company is required to prepare its Risk Management Policy incorporating the provisions of LODR and RBI Circular

Accordingly, GAL's Management has modified the Group Risk Management Policy to the extent required for complying the provisions of LODR and RBI Circular applicable on it and formulated this detailed risk management policy of the Company which includes Identification of Risks and measures for risk mitigation. It also includes systems/processes for internal control of identified risks and framework for identification of internal and external risks faced by GAL, including financial, operational, sectoral, sustainability including *Environment Social and Governance [ESG]-related risks*, information, cybersecurity risks and any other risk determined by the Company's risk management committee (RMC').

1.2 PURPOSE

The aim of this policy is to enable GAL optimizes opportunities in all activities, while minimizing its exposure to adverse events and risks. Consequently, this policy applies to all activities and processes, across all business functions (*i.e. business development, legal, human resources, finance and information technology*). Through this policy GAL is seeking to achieve the following objectives:

- Facilitate the Company's ability to be proactive in the identification, assessment, and curtailment of risks.
- Make key stakeholders aware of their roles and responsibilities towards risk identification management & reporting.
- Align risk appetite, strategy, and actions on the ground to assume and manage risks.
- Ensure a consistent treatment of and responses to risk.
- Have an aligned and supportive infrastructure that facilitates early identification of new risks, communication, training, incident identification, issues management, apart from internal and external reporting.
- Minimize operational surprises and related costs or losses.
- Improve decision making by linking growth, risk, and return.

1.3 COVERAGE OF RISKS

The Company's coverage of risks includes operational risk, reputation/ brand risks, financial risks and compliance risks.

1.4 KEY TERMS

In order to make the risks and its contributing factors easier to comprehend, the Company has specifically extends the ambit of its risk assessment to identify the corresponding threat and vulnerabilities. GAL makes a clear distinction between a threat, vulnerability, and risk.

What is a threat?

- An event that could cause a risk.
- Cannot be completely eliminated.
Likelihood of occurrence can be reduced and/or impact can be mitigated.

What is a vulnerability?

An error or weakness in the design, implementation or operation of a system which would create a condition which would allow the threat to materialize, triggering a loss.

What is a risk?

- The likelihood that a vulnerability will be exploited, or that a threat may become harmful
- Cannot be eliminated but can be brought down to acceptable levels
- Can be shared with third party

1.5 GOVERNANCE STRUCTURE

GAL has set the tone at the top in the board room where the relationship between risk and return are discussed in a way in which collegiality amongst senior management is encouraged and accountability across all levels is enhanced. The Company's Board of Directors ('BoD') is responsible for risk governance and has delegated specific powers in this respect to its RMC. All functions and departments of the Company work in coordination to ensure effective implementation of this risk management policy.

BoD

The Company's board of directors' have defined the roles and responsibilities of the RMC and have delegated the monitoring and reviewing of the risk management plan to the Company's audit committee (*these functions also specifically cover cybersecurity risks*).

Audit committee ('AC')

GAL's AC acts in accordance with the terms of reference specified in writing by its board of directors, which *inter alia*, includes the Company's evaluation of its internal financial controls and risk management systems.

With respect to the Financial Risks, AC will work in parallel with RMC and report to the BoD.

RMC

GAL's RMC has a minimum of three members with a majority of them being members of its BoD. The composition of GAL's RMC includes at least one independent director. A majority of members of the Company's RMC comprise members of its board of directors. The chairperson of the RMC is a member of GAL's BoD, while senior executives of the Company may be members of the RMC.

The Company's RMC meets at least twice in a year, where its quorum is either two members or one- third of the committee members, whichever is higher, including at least one member of the Company's board of directors in attendance.

The meetings of the RMC are conducted in such a manner that on a continuous basis, not more than 180 days elapse between any two consecutive meetings.

The role of the committee shall, *inter alia*, include the following:

- To formulate a detailed risk management policy which shall include:
 - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability particularly, ESG related risks, information, cyber security risks or any other risk as may be determined by the RMC.
 - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
 - (c) Business continuity plan.
- To ensure that appropriate methodology, processes, and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- To keep the BOD informed about the nature and content of its discussions, recommendations, and actions to be taken.

The appointment, removal, and terms of remuneration of the chief risk officer ('CRO') shall be subject to review by the RMC.

The RMC shall have powers to seek information from any employee, obtain outside legal or other professional

advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

The RMC shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the BoD.

CRO

The CRO is required to function independently so as to ensure highest standards of risk management. Specific aspects relating to the CRO are stated below.

- CRO should be a senior official in the hierarchy of a GAL and shall possess adequate professional qualification/ experience in the area of risk management.
- CRO should be appointed for a fixed tenure with the approval of the BoD.
- BoD should put in place policies to safeguard the independence of the CRO.
- CRO should have direct reporting lines to the MD & CEO/ and BoD/RMC.
- CRO should be involved in the process of identification, measurement and mitigation of risks.

The CRO will have the following responsibilities:

- Be involved and drive in the process of identification, measurement, and mitigation of risks.
- Vet all credit products - retail or wholesale, from the angle of inherent and control risks;
- Provide decisions with respect to the credit proposals as an advisor.
- For the credit sanction process for high value proposals, where he is one of the decision makers, he shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.
- Any other responsibility given by the BoD and RMC from time to time.

1.6 REPORTING

The Board Report of GAL has a report by its board of directors (*per Sec. 134, Companies Act 2013*), which includes a statement indicating development and implementation of a risk management policy and the identification therein of elements of risk, if any, which in the opinion of the Company's BoD may threaten the existence of the Company.

The Company also makes the following disclosures in its annual reports.

- Brief description of terms of reference of the Company's RMC.
- Composition, name of members and chairperson of the RMC.
- Meetings and attendance during the year in the RMC meetings.

1.7 APPLICABILITY:

This policy is effective from the date of its approval from the Board of Directors of GMR Airports Limited.