BEHARI LAL ENGINEERING LIMITED

RISK MANAGEMENT POLICY AND PROCEDURE INTRODUCTION:

The Companies Act, 2013 emphasizes the requirement of Risk Management Policy for the Company. Section 134(3)(n) of the Companies Act, 2013 requires that the report by the Board of Directors laid at the general meeting shall include a statement on the 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.

The Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company and the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible. Section 177(4)(vii) of the Companies Act, 2013 provides that Audit Committee shall evaluate the internal financial controls and risk management systems of the company.

Regulation 17(9)(a) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), inter alia, mandates laying down the procedures for risk assessment and minimization. Further Regulation 17(9)(b) of the SEBI Listing Regulations, provides that the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the company.

Regulation 21(4) of the SEBI Listing Regulations further provides that the board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit. Such function shall specifically cover cyber security. It further states that role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II. (Annexure 1)

The Board of Directors ("the Board") of Behari Lal Engineering Limited ("the Company") has adopted the following policy and the Board may amend this policy from time to time. In case of any subsequent amendments to the SEBI Listing Regulations which makes any of the provisions in the Policy inconsistent, the provisions of the SEBI Listing Regulations shall prevail.

Oxford Dictionary defines the term "risk" as a chance or possibility of danger, loss, injury or other adverse consequences.

Risk Management is attempting to identify and then manage threats that could severely impact or bring down the Company. Generally, this involves reviewing operations of the Company, identifying potential threats to the Company and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

DEFINITIONS

"**Risk**" means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.

"Risk Management" is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

"**Senior Management**" means officers/personnel of the Company who are members of its core management team comprising all members of management one level below the Chief Executive Director or Managing Director or Whole Time Director or Manager, including the functional heads and shall specifically include company secretary and Chief Financial officer.

"**Risk Management Committee**" means the Committee formed by the Board as under Regulation 21 of the SEBI Listing Regulations.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI

Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act and rules and regulations made thereunder.

RISK STRATEGY:

The Company believes that the Risk cannot be eliminated. However, it can be:

·Reduced, by having good internal controls;

·Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;

·Avoided, by not entering into risky businesses;

·Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;

·Shared, by following a middle path between retaining and transferring risk.

RISK MANAGEMENT FRAMEWORK:

In today's challenging and competitive economic environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are essential. The common risks inter alia are: Regulations, Competition, Business Risk, Technology Obsolescence, Investments, Retention of talent, Financial Risk, Political Risk, Fidelity Risk, Legal Risk.

Risk Management therefore, ensures that management has in place a process to set objectives and that the chosen objectives support and align with the Company's mission and are consistent with its risk appetite.

This policy primarily focuses on identifying, assessing and monitoring risk in the following area:

COMPANY ASSETS & PROPERTY

The policy deals with risk involved in management of assets and property of the Company. The policy aims to ensure proper security and maintenance of assets and property.

For the Company, its employee constitute of the most important asset of the Company. Thus, the policy also covers risk related to employees and their act/omission. The policy aims at security of employees, providing adequate legal safeguards to protect confidential information.

COMPETITION

Risk of the Competition is inherent in all the business activities. The Company faces competition with various organizations in the economy operating in the segment in which Company operates.

Company's policy is to leverage its investment in a way which has value creation.

REVENUE CONCENTRATION

High concentration in any single business segment exposes the company to the risks inherent in that segment. We have adopted prudent norms based on which we monitor and prevent undesirable concentration in a particular segment. Company's policy is of increasing business volumes with minimum exposure to undue risks.

INFLATION AND COST STRUCTURE

The cost of revenues has a very high degree of inflationary certainty. At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored.

FINANCIAL REPORTING RISKS

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations.

We are committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

RISK OF CORPORATE ACCOUNTING FRAUD

Corporate accounting fraud is business scandals arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc. The Company mitigates this risk by

CONDUCTING RISK ASSESSMENTS,

Adhering to internal control practices,

·Enforcing and monitoring code of conduct for key executives,

·Instituting Whistleblower mechanisms,

·Understanding the applicable laws and regulations.

Risk Identification

This involves continuous identification of events that may have a negative impact on the company's ability to achieve goals. The company has adopted a robust risk identification process keeping in view the key activities/ focused areas of company's business for the purpose of risk assessment. Identification of risks, risk events and their relationship are based on the basis of discussion with the senior management and analysis of related data/ reports, previous internal audit reports, past occurrences of such events etc. The identification of risk by the company is broadly based on the following internal and external risk factors:

The risks can be broadly identified/ categorized into one or more following categories; however, the risk management committee may revise such categories:

Category of Risk	Examples
Financial Risks	· Financial misstatements/ improper accounting or financial reporting. · Unavailability of funding and cash flow; · Change in credit limit affecting availability of funds; · Market conditions on lending / borrowing of funds; · Loan repayment schedules not adhered; · Changes in the applicable laws and environment related to funding, investment norms, including raising of funds from international market;
Operational Risks	· Business disruption; · Delay in implementation of project/ plan; · Inefficient use of resources/increased product/ service cost; · Physical property/damage/disruption; · Accidents / force majeure events, change in management, etc.

	· Limited availability of manpower and resources;
Sectoral Risks	· Product development and engineering activities; · Limited number of customers including government customers; · Third Party suppliers for our key components, materials; · Inability to implement business strategies; · Cyclical demand and vulnerable to economic downturn; · Competition with certain key players in the industry; · Regulatory approvals and licenses for business; · Changes in the energy industry and governmental energy policies.
Sustainability (ESG Related) Risks	· Non-compliance of environmental, social and governance related laws; · Adaptability to changes in the applicable laws including those related to ESG norms such as labour laws; · Strained employee relations due to any reason, strikes, lock-outs, accidents, salary disputes etc.
Information Risks	· Leakage of key/sensitive non-public information; · Rumors in the market and / or related trading in the securities of the Company; · Adverse national media or public or national government attention · Data Privacy challenges;
Cyber Security Risks	· Disruption of IT operations; · Server issues; · Phishing, data leakage, hacking, insider threats, etc.
Strategic Risks	· Reduction in business vitality (due to change in business strategy, customer spending patterns, changing technology, etc.); · Loss of intellectual property and/or trade secrets; · Competition for talent; · Negative impact to reputation/loss of trust mark.
Compliance Risks	· Violation of laws or regulations governing areas including but not limited to:
	· Environmental;
	· Employee health & safety;
	· Labour laws;
	· Product quality/safety issues ;
	· Local tax and statutory laws.
	· Prosecution, fines, investigations, inquiries; litigation including class actions.

Risk Analysis

Risk analysis involves:

- consideration of the causes and sources of risk;
- the trigger events that would lead to the occurrence of the risks;
- the positive and negative consequences of the risk;
- the likelihood that those consequences can occur.

Factors that affect consequences and likelihood should be identified. Risk is analyzed by determining consequences and their likelihood, and other attributes of the risk. An event can have multiple consequences and can affect multiple objectives. Existing controls and their effectiveness and efficiency should also be taken into account.

Risk Assessment

Management considers qualitative and quantitative methods to evaluate the likelihood and impact of identified risk elements. Likelihood of occurrence of a risk element within a finite time is scored based on polled opinion or from analysis of event logs drawn from the past. Impact is measured based on a risk element's potential impact on revenue, profit, balance sheet, reputation, business and system availability etc. should the risk element materialize. The composite score of impact and likelihood are tabulated in an orderly fashion. The Company has assigned quantifiable values to each risk element based on the "impact" and "likelihood" of the occurrence of the risk on a scale of 1 to 4 as follows:

Impact	**Risk Level**	**Likelihood**
Minor	1	Low
Moderate	2	Medium
High	3	High
Critical	4	Critical

Risk Mitigation

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls.

Risk treatment involves a cyclical process of:

- Assessing a risk treatment;
- Deciding whether residual risk levels are tolerable;
- If not tolerable, generating a new risk treatment; and
- Assessing the effectiveness of that treatment.

Based on the Risk level, the company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. Following framework shall be used for risk treatment:

1. Risk Avoidance (eliminate, withdraw from or not become involved)
Risk avoidance implies not to start or continue with the activity that gives rise to the risk.

2. Risk Reduction (optimize - mitigate)
Risk reduction or "optimization" involves reducing the severity of the loss or the likelihood of the loss from occurring. Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.

3. Risk Sharing (transfer - outsource or insure)
Sharing, with another party, the burden of loss or the benefit of gain, from a risk.

4. Risk Retention (accept and budget)
Involves accepting the loss, or benefit of gain, from a risk when it occurs. Risk retention is a viable strategy for risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the organization too much.

Risk Reporting

Periodically, key risks are reported to the Board or risk management committee with causes and mitigation actions undertaken/ proposed to be undertaken.

The internal auditor carries out reviews of the various systems of the Company using a risk-based audit methodology. The internal auditor is charged with the responsibility for completing the agreed program of independent reviews of the major risk areas and is responsible to the audit committee which reviews the report of the internal auditors on a quarterly basis.

The statutory auditors carries out reviews of the Company's internal control systems to obtain reasonable assurance to state whether an adequate internal financial controls system was maintained and whether such internal financial controls system operated effectively in the company in all material respects with respect to financial reporting.

On regular periodic basis, the Board will, on the advice of the audit committee, receive the certification provided by the [CEO/Chief Risk Officer and the CFO] on the effectiveness, in all material respects, of the risk management and internal control system in relation to material business risks.

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

DISCLAIMER CLAUSE:

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

ANNEXURE 1
Role of Risk Management Committee
ROLE OF COMMITTEES

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

1. To formulate a detailed risk management policy which shall include:
    - 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 Committee.
    - Measures for risk mitigation including systems and processes for internal control of identified risks.
    - Business continuity plan.

2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

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The Risk Management Committee 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 Board of Directors.