RISK MANAGEMENT POLICY

Transcorp International Limited

Contents

1. Definitions

A. Risk

Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk.

B. Risk Management

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.

C. Risk Strategy

The Risk Strategy of a company defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the company.

D. Risk Assessment

Risk Assessment is defined as the overall process of risk analysis and evaluation.

E. Risk Estimation

Risk Estimation is the process of quantification of risks.

F. Risk Tolerance/Risk Appetite

Risk tolerance or Risk appetite indicates the maximum quantum of risk which the company is willing to take as determined from time to time in accordance with the Risk Strategy of the company.

G. Risk Description

A Risk Description is a comprehensive collection of information about a particular risk recorded in a structured manner.

2. Objectives

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, including the development of the Risk Matrix, in order to guide decisions on risk related issues. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the company are
identified, assessed, quantified, appropriately mitigated and managed

2. To establish a framework for the company's risk management process and to ensure companywide implementation

3. To ensure systematic and uniform assessment of risks related with construction projects and operational power stations
4. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices

5. To assure business growth with financial stability.

3. Risk Management Policy

In order to fulfill the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

1. All business decisions will be made with the prior information and acceptance of risk involved

2. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses

3. All employees of the company shall be made aware of risks in their respective domains and their mitigation measures

4. The risk mitigation measures adopted by the company shall be effective in the long-term and to the extent possible be embedded in the business processes of the company

5. Risk tolerance levels will be regularly reviewed and decided upon depending on the
change in company's strategy

6. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

4. Scope and extent of application

The policy guidelines are devised in the context of the future growth objectives, business profile envisaged and new business endeavours including new products and services that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations. This policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the company and events outside the company which have a bearing on the company's business. The policy shall operate in conjunction with other business and operating/administrative policies.

5. Risk Assessment

The process of Risk Assessment shall cover the following:

a) Risk Identification and Categorisation – the process of identifying the company's exposure to uncertainty classified as Strategic / Business / Operational.

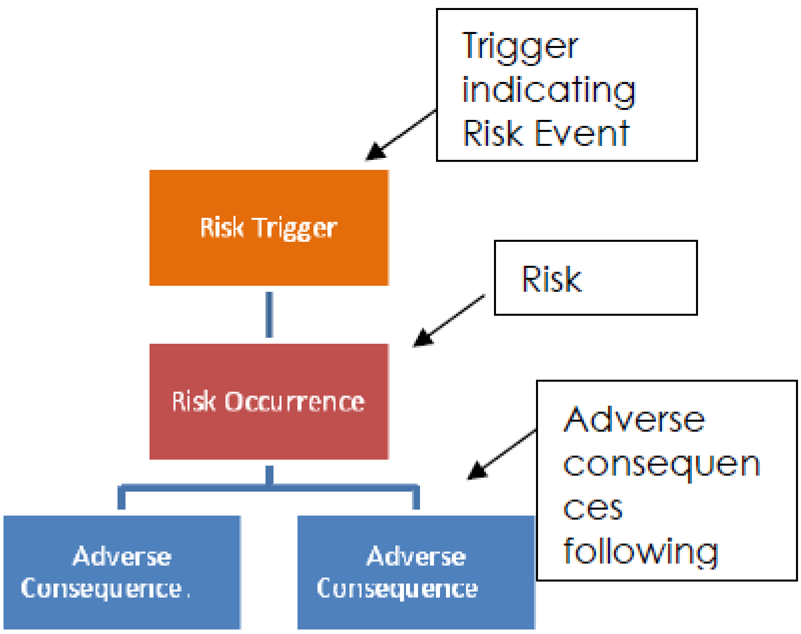
b) Risk Description – the method of systematically capturing and recording the company's identified risks in a structured format
c) Risk Estimation – the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach.

Risk Categorization

Risk Description

1	Name of Risk	Short description by which the risk may be referred to
2	Scope of Risk	Qualitative description of the events by which the occurrence of the risk may be identified, any measurement indicating the size, type, number of the events and their related dependencies
3	Nature of Risk	Strategic/ Business/ Operational
4	Stakeholders	List of stakeholders affected and impact on their expectations
5	Quantification of Risk	Cost of impact, if risk materialises
6	Risk Tolerance and Trigger	Loss potential and financial impact of risk on the business Value at Risk Probability of occurrence and size of potential losses Objective(s) for control of the risk and desired level of performance to assimilate Risk Trigger
7	Risk Treatment & Control Mechanisms	Primary means by which the risk is currently being managed Levels of confidence in existing control system Identification of protocols for monitoring and review of the process of treatment and control
8	Potential Action for Improvement	Recommendations to reduce the occurrence and/or quantum of adverse impact of the risk
9	Strategy and Policy Developments	Identification of function responsible for developing the strategy and policy for monitoring, control and mitigation of the risk

Risk Estimation Process



6. Risk Estimation

	Risk Category		Likelihood	
S. No.	**Risk Category**	**Meaning**	**Likelihood**	**Meaning**
1	High	Very high risk and can put adverse effect on the business growth and even on existence	High	Instances of loss due to risk are likely to be happened frequently or the possibility of such occurrence will be very high.
2	Medium	Medium risk which may not have any adverse effect on the existence but may be a risk for growth of business	Medium	Instances of loss due to risk are likely to be happened not frequently
3	Low	Low risk may not put any adverse effect on existence of business growth but on a very long term basis may put adverse effect on the business operations	Low	Possibility of instances of loss are very low

7. Risk Matrix

No.	Risk	Risk Heat/Category	Risk Trigger	Likelihood	Proposed Risk Mitigation Mechanism
	Common Risk				
CR 1	**Failure to Attract and Retain Talent**	Medium	High recruitment and training cost	Medium	1. Manpower requirement should be assessed on quarterly basis in consultation with Executive Director and based on long term strategies, Manpower requirement should be projected and recruitment should take place accordingly. 2. Attrition trend should be analyzed on quarterly basis

					and course correction should be taken accordingly. 3. Survey should be done Annually & results should be shared with all. Corrective action should be taken to improve Employee Satisfaction & HR Policies modified as per requirement An outside agency can be hired to conduct a survey within the organization on satisfaction of employees. The global benchmark score is 60 for satisfaction of employees. 4. Compensation structure of employees should be reviewed on yearly basis and revised suitably to ensure retention of existing employees and also to attract new talents. 5. As a long-term strategy, relationship must be built with Institutes and recruitment agencies to support our requirements.
CR 2	**Failure to continuously update employee's skills sets in**	Medium	Low quality work with mistakes	Medium	1. Training Need Analysis should be prepared based on the Feedback of the

	line with current and future requirements				HODs, RMs & Reporting officers. 2. Detailed Annual Training Calendar should be prepared and must invariably be executed accordingly. 3. All existing modules and formats should be reviewed periodically and all employees must undergo re-orientation program once in a year time. 4. Feedback must be taken along with Performance Appraisal from the Regional Heads/ HODs to judge the effectiveness of training.
CR 3	**Incidental losses due to non-performance/ non-fulfillment of KRAs and Targets**	Medium	Increasing operational loss	Medium	Performance should be reviewed every month with all the Business Heads/Regional managers for deciding further course of action.
CR 4	**Data Security/ Confidentiality**	High	Leakage of data and secrets	Medium	1. Pass word must be controlled and set centrally and should be changed in every 15 days. 2. User IDs sand mail IDs should be deactivated for all absenteeism and resignation cases in all the divisions.

					3. The entry in server room must be restricted to authorized persons only. 4. With installation of EON, the software allows use of system only if the user is authorized. 5. Data back-up is being sent to Corporate Office, New Delhi at the reasonable frequency. 6. Policy decision has to be taken for deactivation of USB ports on certain systems. Accordingly required changes should be done in the hardware/ software about restricted activation of USB ports, except where this is allowed as per policy. 7. Capabilities about anti-virus tools is to be reviewed at the end of every half year for acquiring of new tools, if necessary. 8. We have hired an outside agency for assessing our need for security.
	Business Specific Risk				
BSR 1	**Credit Risk**	High	Delay in payment	High	1. The Company across all the

			and blockage of funds		divisions should avoid business having risk of delayed payments, even at the cost of Top-line growth. 2. Company is having a system of online follow-up on daily basis to avoid the delay in payments. Needs improvement and support from sales team. 3. Stick watch is being maintained on cheque bouncing cases and if there is any bouncing from the client more precautions are taken. 4. A Credit Policy is being made and placed on the system. Continues efforts are being made to avoid delay in payment. CMR for Money changing business is being checked on daily basis by Compliance Officer, Head-Client Acquisition.
BSR 2	**Non-Compliance of Rules and Regulations**	High	Violation of RBI rules and regulations	Medium	1. Continuous updation of all employees involved in the business is being done. 2. Continuous review of all the compliance aspects is being done

					3. Award for compliance and appropriate actions for all non-compliance issues
BSR 3	**Frauds- External and Internal**	High	Loss of Money due to fraud	Medium	1. Continuous review of all financial matters must be done on regular basis. 2. All the financial movements must be done as per the set procedures and any derivation must be seen very seriously. 3. Forensic Audit/check must be conducted by an outside agency or by internal audit department
BSR 4	**Threat of loss of Foreign Currency and Cash due to Robbery and Theft and fake currency**	High	Loss of Money due to theft, robbery and fake currency	Medium	1. Adequate Insurance 2. Security systems 3. Continuous Training of employees on security measures and identification of Currency Notes.
BSR 5	**Market Risk (Volatility in foreign currency rates)**	High	Forex Fluctuation loss	High	Please see the note given below

Policy and procedure to be adopted for mitigating foreign exchange rate volatility and relevant risks (as approved by Audit Committee on 29.07.2013)

1. Obtaining advice of expert in foreign exchange management who will:-
    a. Analyze the market Risks arising due to business Operations
    b. Define Hedging Program & Risk Monitoring matrix
    c. Define risks to be hedged, permitted hedge instruments
    d. Define Risk Controls – Hedge Ratios, maturities, limits etc.
    e. Define Risk Appetite, Stop Loss Levels etc.
    f. Set hedge program reporting & review process
    g. Define Front/ Mid / Back office Roles and Responsibilities
    h. Help in setting-up systems for Hedge program management
    i. Help in upgrading skills of treasury staff to ensure effective implementation of the policy.
    j. Help in setting-up Benchmarks and Target rates.

The above will help to answer the following queries and hassles:

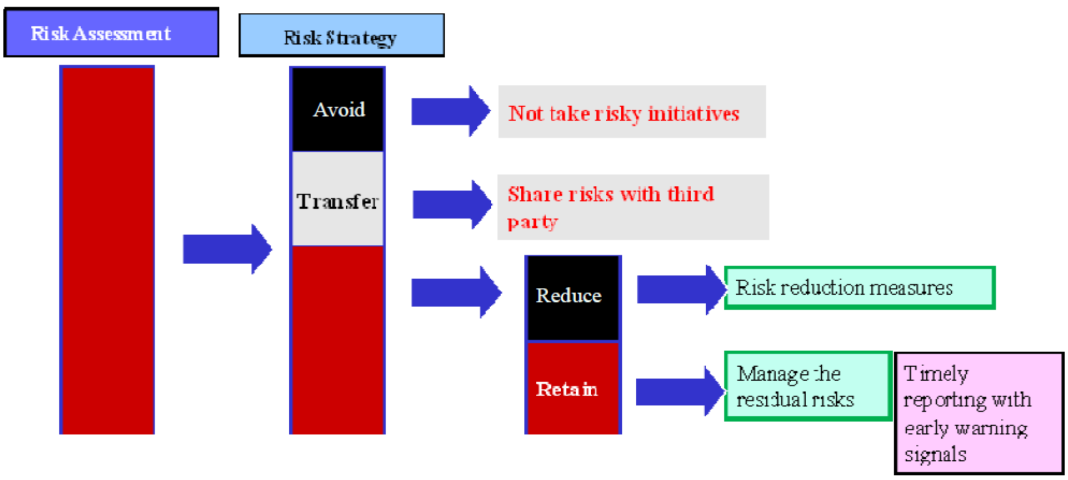
a. Vulnerability of our earnings to FX volatility
b. Maintaining USD-price competitiveness in a global export market
c. How to avoid over-hedging in a volatile market?
d. Preparing of treasury operating manual

2. Hedging and Booking will be done as per the advice of experts
3. Liabilities of Travel Card will be booked and settled in INR only which will mitigate the volatility for these cards.
4. All branches will keep the CN as per their sanction limit. These limits will be reviewed from time to time and will be changed (if required).
5. At the EOD branches will take the booking up to 90% of their CN holding even if there is a loss of 4-5 paisa is being occurred due to the same. This will be done after obtaining prior approval from the concerned authority.
6. All CN/TC/TM (except credit approval) will be hand over to client only after getting full amount of sale proceedings in out account.
7. TC/VTM settlement rates will be decided daily and will be intimated to all the branches and no deviation in the rate will be allowed without the prior approval of concerned authority.
8. No modification in accounting entry regarding rate will be allowed for any product. If at all the same is to be done then the same can only be done after obtaining prior approval of concerned authority.
9. All TC/TM sale proceedings must be deposit in the corporate office's designated bank account on the same day of the sale.
10. All rates for ETC surrender will be taken by the branches before 2:30 P.M. and after taking the rate ETC must be surrendered immediately to the bank. This will avoid the high rates being charged by bank on the cancellation of that contract.
11. All HUB rate should be come on time every day.
12. Any branch taking shipment will take cover for at least 70 % of the amount on the same day.
13. No branch will take uncovered currencies from any branch through shipment.
14. Branch will return at least 80 % of the funds for the shipment parcel on the next day only.
15. No branch will sell any currency in loss without taking approval from concerned authority.

16. All branches are advised to collect payment by RTGS/funds transfer from all the moneychangers as per company policy.
17. Purchase & sale of currencies must be done on the same day to avoid fluctuation risk.
18. No branch will send any currencies to any branch without the approval of concerned authority.

8. Risk Strategy

The following framework shall be used for the implementation of the Risk Strategy:



Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time, 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. The risk mitigation can be planned using the following key strategies:

a) Risk Avoidance: By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

b) Risk Transfer: Mitigation by having another party to accept the risk, either partial or total,
typically by contract or by hedging.

c) Risk Reduction: Employing methods/solutions that reduce the severity of the loss e.g.,
shotcrete being done for preventing landslide from occurring.

d) Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for
small 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.

9. Roles and Responsibilities and Risk Management Committee

a) The Audit Committee will review the risk management policies and system periodically

b) The Risk Management Committee will be constituted having Executive Director, Head of Audit, IT Incharge and Company Secretary which will be responsible for ensuring that the risk management system is established, implemented and maintained in accordance with this policy. The committee will be headed by Executive Director

c) Assignment of responsibilities in relation to risk management will be the prerogative of the Executive Director.

d) Respective Responsibility Centers will report to the Executive Director for the implementation of this Policy within their respective areas of responsibility. They will also be accountable to the Executive Director for identification, assessment, aggregation, reporting and monitoring of the risk related to their respective areas