SEAMEC Document No: **SEAMEC/RMP/2021-22/002**	**Document Title: Draft Risk Management Policy (Revision 2)**

REV #	DATE	REASON FOR ISSUE	PREPARED	CHECKED	APPROVED
3	13.05.2022	Amendment	Senior Manager and Asst CS	President (Corp. Affairs, Legal & CS)	BOD
2	13.08.2021	Amendment	Asst Company Secretary	President (Corp. Affairs, Legal & CS)	BOD
1		Implementation	Asst Company Secretary	President (Corp. Affairs, Legal & CS)	BOD

Owner : President – Corporate Affairs, Legal and Company Secretary

DRAFT RISK MANAGEMENT POLICY

Management of Risk is the core of any organization's essential strategic and operational requirement. It is a structured process which enables the organization to address the risks inherent in its various activities with the goal of achieving the desired benefit from these activities.

Seamec Limited ("the Company") considers ongoing risk management to be a core component of the Management of the Company and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.

The Company at present has Risk Management Policy in force since 2016. The said Policy was approved by the Board following the guidance of Clause 49 of the Listing Agreement.

The Company's Risk Management Policy ("the Policy") outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

This Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") read with amendments thereto and provisions of the Companies Act, 2013 ("the Act"), which requires the Company to lay down procedures about risk assessment and risk minimization.

i. The Board of Directors of the Company have voluntarily constituted Risk Management Committee (hereinafter referred to as "Committee") who shall periodically review this Policy so that the Management controls the risk through structured defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the managers in line with their respective area of operation. They are best positioned to identify the opportunities and risks they face, evaluate these, manage and mitigate them on a day-to-day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

1. Scope

To evaluate and identify risks including but not limited to identification of internal and external risks specifically faced by the listed entity, in particular financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risks associated with the business in which SEAMEC is engaged, measures for risk mitigation including systems and processes for internal control of identified risks and business continuity plan securing the interest of investors, creditors, banks, regulatory agencies, employees and society at large.

2. Risk Management Program

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Directors as stated above, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

The key elements of the Company's risk management program are set out below.

a. Risk Identification

In order to identity and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. Risk criteria is categorized as High, Medium and Low, which are mapped to risk rating.

The Company majorly focuses on the following types of material risks:

i. Business and Corporate Risk:

- Activities only on one segment i.e. charter hire
- Events that manipulates characteristics of market through competition in business dynamics viz introduction of new player, emergence of barriers, introduction of relative substitutes, price war, significant change in demand and supply.
- Adverse actions in foreign area or territory including key logistical focus to conduct business - risk on company's resources and cash flow.
- Governance activities of Board, Management Committee on ethics, regulations, strategic planning, resource allocation, corporate monitoring and reputation.
- Ongoing and periodic assessment of quality of organization performance through adequacy of Internal Audit and reporting and effective redressal measures.

ii. Management & Operations:

- Risk on combination of resources – people skills, attitude, methods, equipment and work environment.
- Risk on age of vessels – Maintenance and protection of assets and legal compliance
- Risk of effectiveness to expansion / new line of business
- Changes in specifications / technology.

- Insurance risks like fire, marine risks, personnel etc.
- Environmental and pollution controls regulations.
- Personnel risks such as labour turnover, risk involving replacement training risks, cost risks, skill risks etc.
- Procurement risks such as quantities, quality, suppliers, lead time, gentility, customer service, etc.
- Obsolesce of old equipment, criticality of availability of parts.
- Compliance of health and safety norms.
- Adequacy of organization structure clarity roles and responsibilities, effective delegation of authority, quality and effective leadership.
- Adequacy of human resources strategy, manpower planning, recruitment and retention of staff, success planning, staff satisfaction / motivation / commitment, compensation strategy alignment of evaluation and reward system.
- Risk on timely recruitment of crew and to ensure logistics facilitation.
- Risk on compliance on statutory & legal requirement on recruitment of crew.

iii. Finance:

- Risk on untimely recovery of Debtor. Management of receivables and corporate policy.
- Raising invoice on time in complete and unambiguous form. Departure affects cash flow.
- Risk on foreign exchange exposure due to factors such as significant exchange rate movements, changes in foreign market /product prices, matching of cash inflow and out flow and portfolio across multiple currencies.
- Risk on forward booking and hedging, maximization / minimization of profit/loss. Effective hedging strategy control of derivatives / swaps options, quality of forward contracts.
- Revaluation and monitoring of positions;
- Accounting policy and disclosure norms to be followed in respect of derivative transactions;
- Disclosure of MTM valuations appropriately;
- In accurate recording and reporting of financial transactions during proper accounting period viz timely and correct accrual, incorrect estimations, adequacy of systems.
- Risk on fraud, manipulation, embezzlement of cash.
- Ineffective cash and fund management – inability to meet cash flow obligations. Productive investment of surplus found. Risk on sufficiency of liquidity, Management of billing process.
- Higher Borrowing, Lower investments yield – impact on interest rate movements.
- Liquidity – Marketability of current assets – ability for conversion to cash. Contractual obligation to receive cash on time.
- Statutory Compliance on Income Tax, Service Tax, PF, Tonnage Tax
- Follow-up compliances arising out of observations of statutory and internal auditors for system improvements to mitigate risks
- Receivables and Payables Risk
- Effective coverage for comprehensive Insurance Policy in all areas viz H&M, P&I, Personal, fidelity and all other applicable areas.
- Effective Inventory Management.

iv. Systems / IT Risks:

- Integration of software, hardware and infrastructure
- Business interruption due to breakdown of interconnection of computers including hardware and software.
- Inappropriate selection of hardware solution lead to disruption
- Risk of software solution not adequately supporting business requirements both in terms of quality and appropriation.
- Theft
- Hacking
- Network Access Controls
- Malicious Software
- Technological risks;

v. Legal Risks

- Risk of inability to capture and implement regulatory requirements.
- Risk on fairness / adequacy of contracts, unwritten contracts, lack of relevant / reliable information concerning contractual commitments.
- Risk due to non-performance of contract lead to contractual liability risk business disruption, impairment to growth and profitability.
- Judicial Risks – Civil and criminal liability, thirdparty liability, Directors exposure to litigations.
- Risk arising out of on-going litigations
- Statutory compliance Risk including tax liability risks.

vi. Other Risks:

- Commodity risk;
- Strategic business risks;
- Quality, Health and Safety risks;
- Competition risks;
- Debtors' realization / Insurance recovery risks;
- Costing oriented risks;
- Human Resource risks;
- Sustainability;
- Environmental and pollution control risks;
- Piracy risks;
- Risks affecting Company's bottom line, revenue loss, logistic issue or injury;
- Risks relating to seizure, confiscation and arrest of vessels / bulk carriers.

b. Oversight and management

Risk Management Committee

The day-to-day oversight and management of the Company's risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the terms of reference Committee are as follows:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- Ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- Monitoring and overseeing implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- Periodically reviewing the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- Periodically informing the Board of Directors about the nature and content of its discussions, recommendations and actions to be taken;
- Appointment, removal and terms of remuneration of the Chief Risk Officer, (if appointed) shall be subject to review by the Risk Management Committee;
- Coordinating 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.
- regularly reporting to the Board on the status of material business risks;
- review and monitor cyber security; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

The Risk Management Committee should meet at least twice a year. Additionally, the Committee may further meet at such intervals as may be decided by the Board / Committee to fulfill its responsibilities.

Board of Directors

The Board of Directors ("the Board") are responsible for reviewing the risk management structure, processes and guidelines which are developed and maintained by Committees and Senior Management. The Committees or Management may also refer issues to the Board for final consideration and direction.

Senior Management

Senior Management shall include personnel defined under Regulation 16 (1)(d) of the Listing Regulations. The Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must

implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.

Chief Risk Officer

The Chief Risk Officer (CRO) plays a pivotal role in the oversight and execution of a company's risk management function. Working closely with the Audit Committee and Board of Directors (BOD). The CRO is responsible for developing and implementing risk assessment policies, monitoring strategies, and implementing risk management capabilities. The CRO's ultimate objective is to help the Board and executive management to determine the risk-reward tradeoffs in the business and bring unfettered transparency into the risk profile of the business. The CRO will be supported by functional departmental heads. The CRO office works closely with the business units to identify risks and then evaluate and negotiate risk response plans based on cost-benefit analysis.

The key roles and responsibilities of CRO would be as follows:

- Identification of new risks and periodic evaluation of existing risks.
- Assist management with integrating risk management with the strategy development process
- Assist the Board and its Committees to develop and communicate risk management policies
- Facilitate enterprise-wide risk assessments, review risk mitigation strategies where required, and monitoring on improvement of risk management capabilities
- Effective alignment and communication amongst Internal Auditor and Board of Directors
- Enables effective alignment between the risk management process and internal audit
- Maintaining the quarterly and annual risk register and database review reports.

Employees

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate in their line of function.

c. Review of Risk Management Program

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees responsible for its implementation.

3. Risk Management System

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high-risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved.
- The Audit Committee reviews internal audit findings, and provides strategic guidance on internal controls, monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses. The Senior Management of the Company periodically reviews the risk management framework to maintain its contemporariness to effectively address the emerging challenges in a dynamic business environment.

4. Business Continuity Plan

In the course of identification, evaluation and monitoring of risks, the senior management shall equally emphasize on identifying processes, undertaking assessment, strategic expansion and diversification activities, focus on acquisition of younger tonnage, adequate insurance cover for all vessels and bulk carriers, effective provision and implementation strategy of mitigation plan, robust processes and systems for early identification / evaluation of risk, undertaking SWOT analysis on periodic basis and such other procedures and controls as may be perceived appropriate for implementation by senior management / Risk Management Committee / Board of Directors.

5. Risk Analysis

Risk Analysis is to be conducted using a risk matrix for likelihood and Impact, taking the existing controls into consideration. Risk events assessed as high to go into risk mitigation - planning and

implementation; low and medium critical risk to be tracked and monitored on a watch list based mechanism.

The Risk Reporting Matrix below is typically used to determine the level of risks identified. The risk reporting matrix is matched with specific likelihood ratings and impact to get a risk grade of high, medium or low.

Likelihood	**Impact**				
	1- Very Low	**2-Low**	**3-Moderate**	**4-High**	**5-Very High**
1-Rare	**Low**	**Low**	**Low**	**Low**	**Low**
2-Not likely	**Low**	**Low**	**Low**	**Medium**	**Medium**
3-Likely	**Low**	**Low**	**Medium**	**High**	**High**
4-Highly likely	**Low**	**Medium**	**High**	**High**	**High**
5-Expected	**Low**	**Medium**	**High**	**High**	**High**

Risk Rating / Risk Profile

Level of Risk	**Control**	**Rating (impact*likelihood)**
HIGH	High Risk. Risk Management Committee and Senior management attention needed to develop and initiate mitigation plans in near future.	>12
MEDIUM	Moderate Risk. Functional Heads attention required, to be reported to risk management committee on quarterly basis.	Between 8 to 12
LOW	Low Risk. Manage by routine procedures.	<8

Significant risks include those risks that have a high likelihood or significant impact (i.e. having risk exposure 12 or more) or where there is limited ability for mitigation by the Company. These risks are identified and assessed based on the Company's expertise, operations, judgement and knowledge.

6. Risk Treatment – Mitigation

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy to be recorded in risk register along with the timelines for implementation.

Based on the Risk level, the company to formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk.

Level of Risk	Risk Score	Mitigation
HIGH	>12	Senior Management to immediately put in place risk management and mitigation strategy. Measure performance against the key risk indicators. Periodically review whether the risk management framework, is appropriate, given the organizations' external and internal context and in case of any deviations, re-frame mitigation plan with reporting to risk management committee and board of directors. As third line of defense, get the mitigation module and output independently tested by Internal Auditors for confirmatory opinion on mitigation.
MEDIUM	Between 8 to 12	Risk management plan to be framed by functional heads to be evaluated for working of internal controls and design module. To avoid recurrence, mitigation steps and its effectiveness to be reviewed periodically.
LOW	<8	Functioning in identified areas of low risk areas to be mitigated through strengthening of maker checker controls or automation processes, wherever feasible.

7. Risk Reporting

Reporting is an integral part of any process and critical from a monitoring perspective. Results of risk assessment need to be reported to all relevant stakeholders for review, inputs and monitoring. This policy provides foundation for the development of an effective risk register, containing both the definitions and the guidance necessary for the process of assessing and mitigating risks identified within functions and associated processes. Quarterly Risk Register Review Report

The respective managers in their area of operation shall review the existing Risk Registers and identify any emerging/new risk and the existing control to mitigate that risk. They must ensure robustness of design and operating effectiveness of existing mitigating controls. If required, re–rate (existing

risks)/rate (emerging risks) and prepare, implement action plan for risk treatment in situations where the existing controls are inadequate.

A. Quarterly Risk Register Review Report shall include:

- Risk assessments having risk score.
- Identification of emerging risks, if any.
- System risks, if any, in area of function.
- Risk mitigation action plan and score.
- Risk assurance activities.
- Control procedures and implementation of risk treatment status
- Such other factor as may be directed by the Risk Management Committee or Board of Directors.

B. Reporting by Chief Risk Officer

Based on risk registers received from respective risk managers across verticals of the Company, the office of CRO would be required to prepare a summary on quarterly basis detailing the following:

- List of applicable risks for the business, highlighting the new risks identified, if any and the action taken w.r.t the existing and new risks
- Prioritized list of risks highlighting the Key strategic and operational risks, if any, faced / foreseen by SEAMEC
- Root causes and mitigation plans or risk treatment adopted for key risks
- Status of effectiveness of implementation of mitigation plans for the key risks identified till date

The summarized statement to be presented by Chief Risk Officer to the members of Risk Management Committee and Board of Directors.

C. Review by Risk Management Committee and Board:

Once in six months or at such frequency as may be required by Listing Regulations or advised by the Risk Management Committee / Board of Directors.

8. Amendment

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.