

RISK MANAGEMENT POLICY

PREAMBLE

Risk refers to the possibility of experiencing negative consequences or losses due to various factors that can hinder a company's ability to achieve its objectives or even lead to failure. It's the uncertainty that exists in the business environment, making it challenging to predict outcomes with certainty. Risk is an integral part and present in all business activities. Without risk there is no prediction of success in business because every future event cannot be predictable. To identify, assess, evaluate and mitigate risk every responsible member in an organization indeed engage to continuous work for the sake of the organization. The objective of this policy is to manage the risks involved in all sphere of the activities of the Company to maximize opportunities and minimize the adversity.

OBJECTIVES OF RISK MANAGEMENT POLICY

- a) To lay down a framework for identification of risk in the operational and decision making process of the business.
- b) Assessment and evaluation of risk
- c) Prescribe Measures for risk mitigation including systems and processes for internal control of identified risks.
- d) Protect the organization from the significant risk
- e) Provide recommendation, guidance and assistance in proper decision making process.
- f) Ensure sustainable business growth and safeguarding the business assets.

DEFINITIONS:

“Board” means the Securities and Exchange Board of India established under section 3 of the Act

“Board of directors” or “board of trustees” shall mean the board of directors or board of trustees, whichever applicable, of the listed entity;

“Audit Committee” means committee of the board of directors of the company constituted under regulation 177 of the Companies Act and the provisions of the Listing Regulations from time to time.

“Risk”- the risk is the possibility that the occurrence of an event will adversely affect the achievement of the organization's objectives.

“Risk evaluation” is the process of determining the significance or potential impact of identified risks by comparing them against predefined criteria, often referred to as risk tolerance or acceptance levels. It involves making judgments about whether the identified risks are acceptable or require mitigation measures

“Risk Assessment”- Risk assessment is a systematic process of identifying potential hazards, analyzing the likelihood and consequences of those hazards, and implementing measures to mitigate those risks. It's a crucial part of risk management, helping organizations understand and prepare for potential negative impacts on their operations, assets, or personnel.

“Risk Management”- Risk management is the process of identifying, evaluating, and prioritizing potential risks, then taking steps to minimize their potential impact or probability of occurrence.

APPLICABILITY OF THE POLICY

This policy shall apply across all over the operational, administrative and all other activities engaging the business of the organization.

RISK MANAGEMENT PROCESS

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.

Risks which can affect the business

1. Operational- for a limited company refers to the risk of loss resulting from failed internal processes, systems, human errors, or external events. It can disrupt business operations and affect efficiency, compliance, and reputation. Effective controls and monitoring are essential to minimize operational risk and ensure business continuity.
2. financial - for a limited company refers to the potential loss arising from poor cash flow, high debt, or market fluctuations, which may affect profitability and solvency. Managing financial risk ensures stability, compliance, and long-term sustainability of the company's operations.
3. Compliance & Legal: Risk of non-compliance with laws, environmental regulations, GST, labor laws, contract breaches, etc. Important due to government contracts and regulatory oversight.
4. Project Execution: Delays, cost overruns, or quality issues during project implementation. Common in EPC (Engineering, Procurement, Construction) contracts.

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5. Market: Risk due to price fluctuations in raw materials (like steel, cement), demand uncertainty, or competition. Impacts profit margins and sales pipeline.
6. Strategic: Risk due to wrong business decisions, poor planning, or failure to adapt to market changes. Includes risk from overdependence on government contracts.
7. Environmental & Social: Risks arising from environmental impact, land acquisition issues, or public protests. Increasingly critical for infrastructure projects.
8. Human Resource : Shortage of skilled labor, employee turnover, or labor disputes affecting project timelines.
9. Sectoral- refers to the risk arising from adverse developments in a specific industry or sector, such as infrastructure, real estate, or construction. For a limited company, it includes regulatory changes, market slowdown, or policy shifts affecting that particular sector, potentially impacting profitability, operations, and long-term growth.
10. Information related: involves threats to data integrity, confidentiality, and availability. This includes risks from cyber attacks, data breaches, system failures, or misuse of sensitive project or financial information. Such risks can disrupt operations, lead to regulatory penalties, and damage the company's credibility and stakeholder confidence
11. Sustainability (particularly, ESG related risks): refers to potential threats arising from Environmental, Social, and Governance factors. For a company like Shelter Infra Projects Limited, this includes environmental compliance issues, labor practices, community impact, and governance failures. Poor ESG performance can lead to legal penalties, reputational damage, and loss of investor or stakeholder trust.

Risks Factors:

The objectives of the Company are subject to risks that are external and internal as enumerated below:

a. External Risk - Elements of the Market and Economic Environment exist in the company.

O The Political Context

O Competition

O The cost structure and inflation

O Concentration of Revenue

O Obsolescence of Technology

b. Elements of Internal Risk – Following are the elements internally exist in the company.

- O Hazards of Financial Reporting
- O Contractual Adherence
- O Local Law Adherence
- O Project Management and Quality
- O Management of the Environment
- O Management of Human Resources

In order to taken consideration on the applicable risk to the businesses risk management policy continuously work in order to mitigate the risks.

1. All business discussions and decisions shall be taken on care to the existent risk related to the decision.
2. All employees as well as the senior management must be aware of the risks related to their domain and their mitigation measures
3. 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.
4. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.
5. The policy shall be continuously reviewed by the Audit committee and the board and shall make necessary recommendations.
6. Evaluation of risk shall include the estimation of risk duly compared with the risk criteria in the organization like strategy, growth, cost, talent, reputation and compliance.
7. In the process of risk mitigation following methods to be applied in managing the risks like Risk Avoidance, Risk Transfer, Risk Reduction, Risk Retention.
7. Any gaps in their desired risk appetite are identified and actions to be taken off.

RISK APPETITE

The critical element of Risk management framework is the risk appetite which is defines as extent of willingness to take the risk in pursuant to business objectives.

1. Shareholders interest and preferences.
2. Capital needed to support risk taking.
3. Culture of the organization
4. Management experience
5. Long term strategic policies.

RISK MANAGEMENT PLAN/SYSTEM

1. The committees ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
2. The committees monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
3. Governance of Organizational and Delegation of authority is effectively managing the risk at their end and discussion reporting done at the board meeting regarding nature and content of its discussions, recommendations and actions to be taken.
4. A combination of centrally issued policies and divisionally – evolved procedures brings robustness to the process of ensuring business risks being effectively addressed.
5. Appropriate structures have been put in place to effectively address the inherent risks in businesses with unique / relatively high risk profiles.
6. Independent internal audit function carries out the audit in the risk focused manner identify risk and recommend the audit committee to the board the areas of internal controls where risk managements processes may need to be improved. The Audit Committee of the board reviews internal Audit findings and provides strategic guidance on internal controls and ensures that the internal audit recommendation to be effectively implemented. The board and the senior management periodically review the framework of the risk management to ensure effective continuation of operation of the business in the changing industry dynamics and evolving complexity.

ROLES AND ACCOUNTABILITIES

1. Board of Directors- the Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company. The board of directors is regularly meet and discuss o the inter]vales when it's required to be check upon the internal controls and the expected risk or the mitigation of risk about risk assessment and minimization procedures...
2. Audit Committee – audit committee shall be responsible for implementing, evaluate, review and monitoring risk management policy and keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

BUSINESS CONTINUITY PLAN

Business continuity plan shall be ensured and the company shall give rapid response to the risk hampering the operations of the business and consequences of the material risks being imposed on the business. Internal controls of the business should be at par with the business continuity.

INTERPRETATION

In any circumstance where the terms of this Policy differ from any existing or newly enacted law, rule or regulation governing the Company, the law, rule, or regulation will take precedence over this Policy and procedures until such time as this Policy is changed to conform to the law, rule or regulation.

AMENDMENTS TO THE POLICY

The Board shall have the power to clarify any doubts or rectify any anomalies that may exist in connection with the effective execution of this Policy. The Board reserves the right to or amends this Policy from time to time based on changing requirements as prescribed by SEBI/Stock Exchange(s).

PUBLICATION OF POLICY

The policy shall come into effect from July 22, 2025. A copy of the policy shall be made available on the website of the Company.

Note: In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities including SEBI, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provision shall under and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.