bharti | REAL ESTATE

Enterprise Risk Management Framework

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Objective

The main objective is to ensure sustainable business growth with stability and to promote a pro-active approach in identifying, reporting, evaluating, and resolving risks associated with the business. To ensure continuous value-creation for our stakeholders, we periodically update our understanding of risks and opportunities that can influence our business.

The internal audit function is responsible to assist the Board of Directors on an independent basis with a full status of the risk assessments and management.

Scope

This Risk Management Framework applies to the whole Company and includes all business units, functions, and departments.

Risk Management Framework

Bharti Real Estate recognizes that it operates in an extremely dynamic environment and is exposed to a number of risks and uncertainties. With an intent to proactively protect stakeholders' interests that can be adversely impacted if such risks are not managed well in time, and also to comply with various Statutory Provisions (as Listed in Appendix – I), we have established a comprehensive Enterprise Risk Management (ERM) Framework that aims to ensure that the key stakeholders are aware of the Risks to which the company is exposed and also plan and monitor the mitigation plans against such risks.

The approach of the ERM framework for the Company follows the below steps:

- Risk Identification & Categorisation
- Risk Prioritisation
- Risk Mitigation
- Monitoring and reporting.

Risk Identification & Categorisation

Risk identification is a continuous process of scanning the internal as well as the external environment and an ongoing simulation of possible future events, whether at Organisation, Industry or Geography level to identify potential events that can negatively impact the Company.

The risks that are identified can be either 'Strategic Business Risks' or 'Operational Risks'. For a risk to be treated as a 'Strategic Business Risk', potential adverse impact of non-mitigation of such risk should fall under any one or more of the below criteria:

1. Can lead to prolonged disruption to supplies and operations, loss of access to essential assets, or delay in projects.
2. Can significantly impact the ability of the organisation to continue as a "going concern."
3. Can significantly dent the brand value / market standing.
4. Can put the Company behind the Technological advancement curve as compared to its 'best in class' local as well as international peers.
5. Can have a sustained impact on expansion and ability to serve customers/Tenants.
6. Can significantly impact the ability to raise funds from Capital Markets
7. Can have severe regulatory and compliance risks.

Any risk that is not a 'Strategic Business Risk' is to be treated as an 'Operational Risk'.
For Each Risk, whether Strategic or Operational, an owner shall also be identified who would be take the end-to-end ownership of the Risk.

Climate Related Risks: In addition to above Bharti Real Estate has adopted the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and has undertaken independent assessment of its Physical and Transition Climate risks. These Climate related risks are periodically reviewed by the Management Committee & Board of Directors.

Bharti Real Estate uses its Enterprise Risk Management process for reporting & managing climate related risks across the Company in an integrated and uniform manner. ERM committee assesses the Climate related risks and impacts and recommends appropriate strategies to deal with them which are then reviewed by its Board of Directors

Risk Mitigation
Risk mitigation involves identification of action(s) to reduce/eliminate exposure to potential risks and to reduce the likelihood and negative impact of such risks. Once the risks are identified, mitigation plan against such risks is formulated by the owner of the risk. Criteria that are generally used for identifying effective mitigation plan is that it should:

- Eliminate or significantly delay the occurrence of the risk and / or its impact on a near term basis.
- Ensure that if and when actual risk-event happens, the organisation is adequately prepared for the same all controllable steps to counter the risk are in place.
- Eliminate the risk / significantly blunt the impact on long-term basis.
- Act as a contingency plan / compensatory control to deal with the risk should it occur.
- Enable a technological leap to ensure that the fall out of the risks become significantly redundant.
- Be capable of being objectively monitored on a continuous basis.

Monitoring and Reporting

Risk Management Committee: RMC shall consist of the following members:

- MD & CEO
- COO
- CFO
- Respective functional heads

The RMC may nominate or invite additional members as required to participate in specific meetings on the recommendations of either the Managing Director & CEO or Chief Operating Officer.

Periodicity of meeting

The Risk Management Committee shall meet on a Quarterly basis or more frequently, if required, for urgent matters. Reports of the committee's activities (agendas, decisions) and minutes of meetings (including attendance) should be maintained for each meeting.
At a minimum, the Risk Management Committee will deliver:

- Annual assessment of risks along with mitigation plan;
- Quarterly review of risk mitigation status for identified risks.
- Half yearly reports to the Audit Committee ("AC")

The internal audit function is responsible to assist the Board of Directors on an independent basis with a full status of the risk assessments and management.

The Monitoring and Reporting of the Risk Management Framework for 'Strategic Risks' and 'Operational Risks' shall be as per the following process.

Strategic Risk:
Each risk-owner shall be responsible for updating the status of the Mitigation plan(s) against their respective risks to the RMC within 15 days from the end of the quarter in the form of 'Risk Mitigation Dashboard'. The status against each of the planned mitigation activity should be clearly spelt out and any deviation from the intended timelines or efficacy for achieving the mitigation should be duly flagged. The template for the 'Risk Mitigation Dashboard' is given in APPENDIX – II. The RMC shall be responsible to review the 'Risk Mitigation Dashboards' sent by the respective risk owners and seek evidence / clarifications as may be appropriate. The RMC shall have a detailed review of the Risks and the Mitigations on a periodic basis on the risk identified. Climate related risks will also be reviewed under the same process as Strategic risks.

Operational Risk:
The operational Risks are to be managed through a combination of controls, actions, reviews etc. at the operating level. The broad framework for managing various operational risks is through:

- Internal controls, including controls over financial Reporting (ICoFR)
- Internal Governance Reviews
- KPIs deck to Manage business / operational risks.

Ownership
This compliance to this policy shall be the responsibility of the Chief Financial Officer of the Company

APPENDIX – I: Legal Obligations for Comprehensive Risk Management Framework

The Companies Act, 2013 casts the following obligations to be met with respect to the Risk Management Framework

	Responsibility cast on:	Obligation	Section/Reference
1	Board	The report of the Board of Directors must include status of the "Risk Management Policy" for the Company, including highlighting risks that may threaten the existence of the Company	134 (n)
2	Audit Committee	Audit committee is required to evaluate the Risk Management Systems of the Company	177(4)(vii)
3	Independent Directors	The Independent Directors are required to satisfy themselves that the systems of risk management are robust and defensible	Schedule IV [Part II-(4)]

Appendix – II: Template of the 'Risk Mitigation Dashboard'

Business Unit	Risk	Description of Risk	Mitigation Plan	KPI's	Frequency of monitoring KPI's	Type of Risk (Strategic/Business)	Risk assessment. (High/Med/Low)	Control owner