SELAN
EXPLORATION
TECHNOLOGY LIMITED

RISK MANAGEMENT POLICY OF SELAN EXPLORATION TECHNOLOGY LIMITED

BACKGROUND

Section 134(3)(n) and 177(4) of Companies Act, 2013 and rules made thereunder, mandates that the Board of Directors and Audit Committee of the company make an assertion on development and implementation of a risk management policy, including identification of risk elements, if any, which in the opinion of Board and Audit Committee may threaten the existence of company. Regulation 17(9) of the SEBI (LODR) Regulations, 2015 requires that the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the company, reviewing the risk policy and ensuring that systems of risk management are in place. It also mandates that the company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

PURPOSE

The purpose of this Policy is to ensure that:

- Appropriate Risk Management Framework is in place
- Ascertainment of Risk Appetite i.e. Potential impact and likelihood of identified risks
- Mitigation of Risks to the extent feasible
- Improved compliance with relevant legislation

OBJECTIVES

The application of this policy and related framework shall support:

- Aligning the corporate strategies & objectives to the risk appetite
- Integrated approach to risk management at strategic level
- Systematic approach and use of special tools for risk management
- Providing Board / Management oversight
- Development of a more risk aware organizational culture

APPLICABILITY

This Policy shall apply to entire Selan Exploration Technology Limited including all its units, projects, subsidiaries and group companies, if any. The Policy shall cover all the employees of Selan Exploration technology Limited.

DEFINITIONS

1. **"Board"** shall mean the Board of Directors of the Company.

Registered Office :
J – 47 / 1, SHYAM VIHAR
DINDARPUR, NAJAFGARH
NEW DELHI – 110 043
CIN No. : L74899DL1985PLC021445
Email : admin@selanoil.com
Web : www.selanoil.com

Corporate Office :
UNIT 1106, TOWER B
MILLENNIUM PLAZA
SUSHANT LOK, PHASE- I
GURGAON - 122 002 HARYANA
Telefax : 4200326

2. **"Audit Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time in compliance with the provisions of the Companies Act, 2013 and the rules made thereunder, as amended, and the Listing Regulations.

3. **"Company"** shall mean Selan Exploration Technology Limited.

4. **"Risk Management Committee (RMC)"** means the Committee constituted by the Company under applicable provisions, to monitor and review of the Risk Management Policy / Plan and such other functions pertaining to risk management, by whatever name called.

5. **Risk** Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is a threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

- **Strategic Risks -** are associated with the primary long-term purpose, objectives and directions of the business.
- **Operational Risks** - are associated with the ongoing, day to day operations of the enterprise.
- **Financial Risks -** are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties. In general, assessing financial risk means not only determining the likelihood of the loss of an asset or investment, but also measuring a financial organization's attitude and tolerance to the risk, as well as its capacity for risk within a certain period.
- **Sustainability ESG Risks -** Sustainability Risk Management (SRM) is a business strategy that aligns profit goals with a company's environmental policies. The goal of SRM is to make this alignment efficient enough to sustain and grow a business while preserving the environment. One of the chief drivers for SRM adoption is increasing demand for compliance with global and national regulations.
- **Cyber security Risk -** Cyber security risks relate to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems and reflect the potential adverse impacts to organizational operations (i.e., mission, functions, image, or reputation) assets, individuals, and other organizations.
- **Knowledge Risks** are associated with the management and protection of knowledge and information within the enterprise. (as defined in the standard of Internal audit (SIA) 13 issued by the Institute of Internal Auditors)
- **Inherent Risk** means assessment of risks in the absence of internal controls.
- **Residual Risk** means net risk after considering existence and effectiveness of controls for each inherent risk. Residual risk is assessed by determining how well the risk mitigation strategies / controls mitigate the level of inherent risk in the sub activities using probability of occurrence, magnitude of impact and professional judgement.

Risk Management Process

Risk management is a continuous process that is accomplished throughout the life cycle of a company. It is a methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations, and tracking the implementations to ensure

successful risk reduction. Effective risk management depends on risk management planning; early identification and analysis of risk; early implementation of corrective actions; continuous monitoring & reassessment; communication; documentation and coordination.

Steps in Risk Management

Risk management is a shared responsibility. The risk management process model includes the following key activities performed on a continuous basis:

Risk Identification

This involves continuous identification of events that may have negative impact on the company's ability to achieve goals. Processes have been identified by the company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their Risk Assessment.

Risk Assessment

Risk Assessment is the process of risk prioritization or profiling. Likelihood and impact of risk events must be assessed for the purpose of analyzing criticality. The potential impact may include:

- Financial Loss
- Non-compliance to regulations and applicable laws leading to imprisonment, fine, penalties etc.
- Loss of talent
- Health, Safety and Environment related incidences
- Business interruptions/ Closures
- Loss of values, ethics and reputation

Risk Response

Risk response involves identifying the range of options for the treating risk, assessing those options, preparing risk treatment plans and implementing them. Options include avoiding the risk, reducing the likelihood of occurrence, reducing the consequences, transferring the risk and retaining the risk. Gaps will then be identified between what mitigation steps are in place and what is desired. The action plans adopted will be documented and its implementation tracked as part of reporting process. Ownership and responsibility for each of those risk mitigation steps will be then assigned.

Business Continuity Plan

Business continuity planning is the process involved in creating a system of either preventing or recovering effectively from the potential threats to company. The plan ensures that all assets of the company including people are protected and can function quickly in the event of a disaster. Effective implementation of ERM policy can ensure continuity of business in all adverse scenarios.

Reporting by the Chief Risk Officer

Mr. Raajeev Tirupati, as Chief Risk Officer (CRO) shall take lead in the risk management process and provide updates to Risk Management committee and Board of Directors as may be necessary. The CRO shall also provide assurance to the Audit, Finance and Risk committee with regards to financial records, risk management and internal compliance. Risks will be continuously monitored and reviewed; and the effectiveness of the controls in

place and the action plan to address risk is assessed to ensure changing circumstances do not alter risk priorities.

The appointment, removal and term of remuneration of the Chief Risk Officer shall be subject to review by the Risk Management Committee.

Review

The policy shall be reviewed at least once in two years, to ensure effectiveness and its continued application in view of the changing industry dynamics and evolving complexity. Feedback on the implementation and the effectiveness of the policy will be obtained from the risk reporting process, internal audits and other available information.

The Risk Management Committee shall coordinate its activity 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.

Note:

This policy was framed and adopted at the meeting of the Board of Directors held on 8th August 2022.