



SHREM INFRA INVESTMENT MANAGER PRIVATE LIMITED
(Formerly Known as Shrem Financial Private Limited)

RISK MANAGEMENT POLICY OF SHREM INVIT

This Policy is initially approved by the Board of the Investment Manager with effect from 20th July 2023. The same has been amended on 5th May 2025 by the approval of the Board of the Investment Manager with immediate effect.

Note: This Policy supersedes all the previous versions of Policy and/or any communication on this subject.

RISK MANAGEMENT POLICY OF SHREM INVIT

1. PREAMBLE

Pursuant to the investment management agreement dated January 12, 2021, the board of directors of Shrem Financial Private Limited (the “**Board**”), the investment manager to Shrem InvIT, an infrastructure investment trust registered with the Securities and Exchange Board of India (“**SEBI**”) in accordance with the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended (“**InvIT Regulations**”), has adopted the following policy and procedures (the “**Policy**”) to provide a framework for management of risks associated with the business of the Trust. The Board may review and make amendments to the Policy from time to time as it may deem appropriate, subject to applicable law.

The main objective of this Risk Management Policy (“**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 in order to guide decisions on risk evaluating & mitigation related issues. The Policy is in accordance with the Regulation 26G of the InvIT Regulations read with Regulation 17(9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, (“**SEBI Listing Regulations**”) which requires the Investment Manager to lay down procedures about risk assessment and risk minimization.

2. DEFINITIONS

- 2.1. “**Investment Manager**” means Shrem Financial Private Limited.
- 2.2. “**Risk**” means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.
- 2.3. “**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.
- 2.4. “**Risk Management Committee**” means the risk management committee formed by the Board.
- 2.5. “**Risk Assessment**” means the overall process of risk analysis and evaluation.
- 2.6. “**Trust**” means Shrem InvIT

Words and expressions used and not defined in this Board Diversity Policy shall have the meaning ascribed to them in the InvIT Regulations, the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended.

3. POLICY STATEMENT

The Investment Manager recognizes that the Trust is exposed to a number of uncertainties, which is inherent for the road infrastructure sector that it operates in. The volatility of the road infrastructure sector affects the financial and non-financial results of the business. The Investment Manager has developed this policy to increase confidence in the achievement of Trust’s objectives and to ensure that it remains a competitive and sustainable organization with enhanced operational effectiveness.

The policy statement is as given below:

- To establish an integrated risk management framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.

- To provide clear and strong basis for informed decision making at all levels of the organization.
- To continually strive towards strengthening the risk management system through continuous learning and improvement and to achieve the objectives of this policy through proper implementation and monitoring.
- To ensure that new emerging risks are identified and managed effectively.
- To put in place systems for effective implementation for achievement of policy objectives through systematic monitoring and effecting course corrections from time to time.

4. RISK MANAGEMENT

Principles of Risk Management

- 4.1. **Effective Risk Management Process:** The Risk Management Committee shall have the overall responsibility to ensure effective risk management process.
- 4.2. **Everyone's commitment:** Every function/department/office in the organization shall work in coordination to ensure effective implementation of this risk management policy.
- 4.3. **Proactive Leadership:** Risk identification (including identification of the risk of lost opportunities), risk assessment, risk response and risk monitoring are ongoing activities and shall form an integral part of the Trust's operations, management and decision-making process.
- 4.4. **Risk Culture:** Informed and consistent risk related decisions shall be taken; non-compliant behaviors shall not be tolerated and risk management shall be dealt professionally.
- 4.5. **Transparency and Compliance:** The risk management activities along with the most significant risks shall be reported and the material failures in mitigation measures shall be escalated through reporting line to the relevant levels of organization structure.
- 4.6. **Result Evaluation:** To assess the effectiveness of the Risk Management Policy and its implementation and need for improvement if any.

5. RISK MANAGEMENT PROCEDURES

5.1 General

Risk management process includes four activities: Risk identification, Risk Assessment, Risk mitigation and monitoring and reporting.

5.2 Risk Identification

The purpose of Risk identification is to identify internal and external risks specifically faced by the Trust, in particular including financial, operational, sectoral, sustainability (particularly, environment, social and governance related risks), information, cyber security risks or any other risk as may be determined by the Risk Management Committee and identify all other events that can have an adverse impact on the achievement of the business objectives.

Risk identification shall be approached in a methodical way to ensure that all significant activities within the organization have been identified and all the risks flowing from these activities defined.

The following methodologies can be used to identify risks:

- Brainstorming
- Surveys /Interviews/Working groups

- Experiential or Documented Knowledge
- Risk Lists - Lessons Learned
- Historical risk event information

5.3 Risk Assessment

Assessment involves quantification of the impact of Risks to determine potential severity and probability of occurrence. Each identified Risk is assessed on two factors which determine the Risk exposure:

A. Impact if the event occurs

B. Likelihood of event occurrence

Factors that affect consequences and likelihood should be identified. Risk is analyzed by determining consequences and their likelihood, and other attributes of the risk. An event can have multiple consequences and can affect multiple objectives. Existing controls and their effectiveness and efficiency should also be taken into account.

5.4 Risk Categories

It is necessary that Risks are assessed after taking into account the existing controls, so as to ascertain the current level of Risk.

The purpose of risk categorization is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. Risk categorization involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

Decisions should take account of the wider context of the risk and include consideration of the tolerance of the risks borne by parties, other than the organization, that benefit from the risk. Decisions should be made in accordance with legal, regulatory and other requirements

Based on the above assessments, each of the Risks can be categorized as – low, medium and high.

5.5 Risk Mitigation

The following framework shall be used for implementation of Risk mitigation:

All identified Risks should be mitigated using any of the following Risk mitigation plans:

- 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 / insurance.
- c) Risk reduction: Risk reduction involves reducing the severity of the loss or the likelihood of the loss from occurring. Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.
- 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 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. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the organization too much.

6. Monitoring and reviewing Risks

In order to ensure that risk management is effective and continues to support organizational performance, processes shall be established to:

- Measure risk management performance against the key risk indicators, which are periodically reviewed for appropriateness
- Periodically measure progress against, and deviation from, the risk management plan
- Periodically review whether the risk management framework, policy and plan are still appropriate, given the organizations' external and internal context
- Report on risk, progress with the risk management plan and how well the risk management policy is being followed
- Periodically review the effectiveness of the risk management framework
- Structured scientific and analytical tools may be used for this purpose.

The Risk Management Committee shall formulate the policies for effective identification, monitoring, mitigation of the Risks.

Audit committee reviews the Risks once a year and adds any new material Risk identified to the existing list. These will be taken up with respective functional head for its mitigation. The Audit Committee will assist the Board in independently assessing compliance with risk management practices. It will also act as a forum to discuss and manage key risks.

Existing process of Risk Assessment of identified Risks and its mitigation plan will be appraised by the Risk Management Committee to the Board on an annual basis.

7. Review of this Policy

This Policy shall be reviewed by the Risk Management Committee periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

8. Conflict with Applicable Law

The Policy shall not contradict with the provisions of any applicable law. In case of any discrepancy, the provisions of applicable law shall prevail over the provisions of this Policy.

9. Amendment

- (i). Any amendment or variation to this Policy shall be undertaken in compliance with the SEBI InvIT Regulations and other applicable law.
- (ii). Notwithstanding the above, this Policy will stand amended to the extent of any change in applicable law, including any amendment to the SEBI InvIT Regulations and the SEBI Listing Regulations, without any action from the Investment Manager or approval of the unitholders of the Trust.

Adopted by the board of directors of Shrem Financial Private Limited on behalf of the Trust on 20th July, 2023 and amended on 5th May, 2025.
