

The Inland & Coastal Shipping Ltd.

Sub: Risk Management Policy

Inland & Coastal shipping Ltd (ICSL), SCI's wholly owned subsidiary was incorporated in 2016 after Maritime India Summit for undertaking / providing transport services through Inland Waterways, Coastal Shipping and End-To-End Logistics.

Inland Waterways Transport is not only an environment friendly and fuel-efficient mode of transport, but would also help reduce overall logistics costs, providing affordable transport solutions connecting country's vast hinterland. The most important advantage of Inland Waterways Transport is that it is fuel-efficient mode of transport when compared to other modes of transports i.e. rail and road. The national waterways bill, 2015 tabled in the Parliament mentioned that "...inland water transport is recognized as fuel efficient, cost effective and environment friendly mode of transport especially for bulk goods, hazardous goods and over dimensional cargoes."

ICSL and IWAI (Inland Waterways Authority of India) signed a historic Memorandum of Understanding on 22.01.2021 for Operations & Management of three IWAI Cargo Vessels i.e. m.v. Rabindranath Tagore, m.v. Lal Bahadur Shastri and m.v. Homi Bhabha. Also, MOU for taking over RO-RO vessels viz. m.v. Gopinath Bordoloi & m.v. Sankar Dev was signed between IWAI & ICSL on 11.03.2022.

m.v. Rabindranath Tagore & m.v. Lal Bahadur Shastri have been taken over by ICSL on 22.01.2021 and 26.02.2021 respectively. ICSL intends to connect Inland Waterways with Coastal shipping, thus, providing a truly integrated water transport mode for the country. ICSL is Head Quartered at Shipping House, 13, Strand Road, Kolkata – 700 001.

Risk Management Policy-Philosophy: ICSL considers ongoing risk management to be a core component of Management of the Company, and understands that Company's ability to identify and address risk is central to achieving its corporate objectives. Risk management is a holistic, integrated, structured and disciplined approach to managing risks with the objective of maximizing stakeholder's value. It aligns strategy, processes, people & culture, technology and governance with purpose of evaluating & managing uncertainties faced by organization while creating value. The Company's Risk Management Policy ("the Policy") outlines program implemented by Company to ensure appropriate risk management within its systems and culture.

Risk Identification: In order to identify and assess material business risks, the Company defines risks and prepares Risk Registers 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, manage, mitigate / eliminate the risk. 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 are well defined. All risks that have been identified shall be categorised under following risk categories viz. Strategic, Operational, Reporting and Compliance risk.

- **Strategic Risk:** Risk of loss resulting from business factors. These risks adversely affect achievement of strategic objectives and may impair overall enterprise value. Examples include:
 - Loss of business & market share.
 - Financial risks.
 - Loss of Reputation.
 - Tonnage Acquisition and Ship disposal challenges.
 - Cyber & Information Technology Security risk.
 - Risk arising due to Epidemics / Pandemics.
- **Operational Risk:** Risk of loss resulting from inadequate infrastructure, support systems or sub-optimal processes, personnel and information & operating systems. Examples includes:
 - Inadequate River Depth (LAD).
 - Inadequate night navigation facility.
 - Non-availability of suitable Terminal Facilities / Cranes etc.
 - Restriction on Truck / Trailer movement during day time in Terminals.
 - First & Last Mile connectivity issues.
 - Increase in voyage days due to floating bridge handling and slow down of speed in upstream navigation.
 - Increase in bunker consumption due to increase in number of voyage days.
 - Low vessel utilisation due to draft restriction.
- **Reporting Risk:** Risk of inadequate internal or external reporting due to wrong financial as well as non-financial information in feasibility reports / pilot studies etc. Examples includes –
 - Inaccurate reporting of business prospects, cost / revenue parameters, operational conditions, financial results etc.
 - Reporting of any other incorrect information.
- **Compliance Risk:** Risk of loss resulting from legal and regulatory factors Examples includes –
 - Difficulty in closing CAG, statutory auditors observations etc.

Risks Classification

Operational Risks: This is an operational risk, which may arise due to inadequate or failed operational processes, inadequate infrastructural & institutional factors Viz. River / air draft, delays in cargo operations, lack of trained manpower, inadequate night navigation facilities. Broadly, these are inherent risk associated to operations of

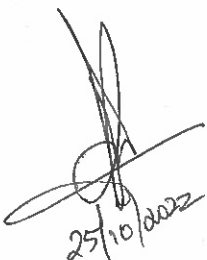
inland waterways vessels. This risk is likely to occur on a frequent basis till such time sufficient infrastructure & institutional support is made available to ICSL & its risk priority is considered high. Risk Mitigation plan, includes continuous monitoring of vessel operations along with extraneous factors that can affect vessel operations. Further, regular communication with IWAI Authorities along operational sphere, upkeep & maintenance of vessels along with proper training of ship staff to manage the operations efficiently and effectively.

Business Continuity Risk: This is an operational risk, which may arise due to vagaries of Indian monsoon affecting operations of ICSL vessels in Indian rivers rendering them ineffective during monsoon period. Further, with sub-optimal cargo prospects, inland vessel operations may become financially challenging. This risk is likely to occur on a frequent basis & its risk priority is high. Risk Mitigation plan, includes continuous monitoring of vessel operations, cargo availability along with extraneous factors that can affect vessel operations. Undertaking of continuous marketing activities & incentivizing trade to shift cargo base from rail / road to inland waterways.

Cargo Availability Risk: This is an operational risk, which arises due to lack of regular cargo availability, competition from road and rail transport mode, which provides trade with first and last mile connectivity and has higher certainty of operations as compared to inland waterways. This risk is likely to occur on a frequent basis & its risk priority is high. Risk mitigation plan includes continuously engaging in marketing activities to increase awareness about inland waterways and infuse confidence to trade to bring shift from rail / road to inland waterways.

Financial Risk: This is a strategic risk, which has arisen due to inability of ICSL to recover operating costs owing to low freighted cargoes coupled with operational delays, low cargo demand, low vessel utilization and also impacted by lower transport cost of other competing modes of transport viz. Rail / Road etc. This risk is likely to occur on a frequent basis & its risk priority is high. Risk mitigation plan includes continuously engaging in marketing activities to increase awareness about inland waterways and infuse confidence to trade to bring shift from rail / road to inland waterways. Efforts are also being made to seek better freighted cargoes along with favourable tariffs / discounts on VRC and CRC from Ports / Terminals.

Institutional Risk: This is a strategic risk, which arises due to delays in recovery / costs from concerned statutory institutions. This risk is likely to occur on frequent basis & its risk priority is medium. Risk mitigation plan includes continuous communication and diligent follow-up with the concerned institutions to recover costs incurred in a timely manner.



25/10/2022
