

# Project Finance and Risk Management Policy

## 1. Policy Objective

The purpose of this Project Finance and Risk Management Policy is to provide a structured approach for financing, managing, and mitigating risks in large-scale projects. Miten is committed to securing sustainable financial solutions and proactively managing risks associated with project execution, financial investment, and operational continuity.

## 2. Scope

This policy applies to all project finance and risk management activities undertaken by **Miten**, covering every stage of project development across sectors, including energy, renewable energy, hydropower, infrastructure, agribusiness, food processing, and warehousing. It is especially relevant to projects implemented under Public-Private Partnership (PPP) frameworks and other long-term financing models.

## 3. Core Principles

### A. Financial Sustainability

- 1. Prudent Financial Management**
  - Implement financial strategies that ensure sustainable cash flow, reduce debt burden, and optimize capital utilization across all projects.
- 2. Long-term Viability**
  - Prioritize financial models that support long-term project viability and align with both company and investor expectations for return on investment.

### B. Risk Management Integration

- 1. Comprehensive Risk Assessment**
  - Identify and evaluate risks at every project stage (planning, financing, construction, and operation) to establish clear risk profiles.
- 2. Proactive Risk Mitigation**
  - Develop and implement mitigation strategies to manage identified risks, enhancing project resilience and reducing the potential for financial losses.

### C. Compliance and Governance

- 1. Adherence to Legal and Regulatory Standards**
  - Ensure all financing and risk management activities comply with relevant local, national, and international laws and regulatory requirements.
- 2. Transparency and Accountability**

- Maintain transparent reporting and strong governance structures to support accountability in project finance and risk management.

## 4. Financial Structure and Financing Strategies

### A. Project Financial Structuring

1. **Debt and Equity Mix Optimization**
  - Develop an optimal mix of debt and equity tailored to each project's specific risk profile, financial requirements, and revenue potential.
2. **PPP Financing Arrangements**
  - Structure financing solutions that align with PPP frameworks, including concession agreements, government-backed guarantees, and risk-sharing arrangements with public stakeholders.
3. **Project Financing Options**
  - Utilize a variety of financing options, including syndicated loans, project bonds, asset-backed securities, and other structured finance products as appropriate for large-scale projects.

### B. Capital Allocation and Budgeting

1. **Capital Allocation Priorities**
  - Prioritize capital allocation to projects with strong financial returns, strategic value, and alignment with [Company Name]'s long-term objectives.
2. **Cost Control and Budget Management**
  - Implement rigorous budgeting, tracking, and cost control mechanisms to ensure financial discipline and avoid cost overruns.

### C. Financial Feasibility and Due Diligence

1. **Comprehensive Financial Feasibility Analysis**
  - Conduct thorough feasibility studies to evaluate projected cash flows, cost of capital, and payback periods for all projects.
2. **Due Diligence for Risk Assessment**
  - Perform extensive due diligence to assess financial, legal, and regulatory risks before project approval and financing.

## 5. Risk Management Framework

### A. Risk Identification and Classification

1. **Risk Categories**
  - Classify risks into major categories such as financial, operational, regulatory, environmental, market, and reputational risks.
2. **Project-specific Risk Profiles**

- Develop unique risk profiles for each project to account for sector-specific and location-based risks (e.g., hydropower projects in flood-prone areas).

## **B. Risk Assessment and Quantification**

### **1. Qualitative and Quantitative Analysis**

- Use both qualitative assessments and quantitative models (e.g., Monte Carlo simulations, scenario analysis) to quantify risks and their financial impact.

### **2. Risk Tolerance and Thresholds**

- Establish risk tolerance levels and define acceptable risk thresholds based on the company's strategic objectives and financial capacity.

## **C. Risk Mitigation Strategies**

### **1. Financial Risk Mitigation**

- Use hedging instruments (e.g., interest rate swaps, currency hedges) to manage exposure to financial risks such as currency fluctuations and interest rate volatility.

### **2. Contractual Risk Sharing**

- Structure PPP and contractor agreements to share risks equitably with stakeholders, ensuring that high-risk elements (e.g., demand risks, construction delays) are managed by parties best suited to control them.

### **3. Insurance Coverage**

- Procure comprehensive insurance coverage for property, liability, business interruption, and environmental damage to mitigate potential financial losses.

## **D. Risk Monitoring and Reporting**

### **1. Continuous Risk Monitoring**

- Regularly monitor project risks throughout the project lifecycle, using risk assessment tools and real-time data to identify and address emerging risks.

### **2. Risk Reporting and Escalation**

- Develop a risk reporting structure that includes regular updates to senior management, stakeholders, and investors, ensuring that high-risk issues are escalated promptly.

## **6. Performance Monitoring and Financial Reporting**

### **A. Financial Performance Metrics**

#### **1. Key Financial Indicators (KFIs)**

- Track KFIs, including Net Present Value (NPV), Internal Rate of Return (IRR), Debt Service Coverage Ratio (DSCR), and Return on Investment (ROI) to measure project performance.

## 2. Revenue and Cost Management

- Monitor revenue streams, cost variances, and cash flow projections to maintain project profitability and financial health.

## B. Compliance and Audit Controls

### 1. Regular Financial Audits

- Conduct regular internal and external audits to verify financial integrity and compliance with accounting standards and regulatory requirements.

### 2. Compliance Monitoring

- Monitor compliance with financing agreements, including debt covenants, financial ratios, and performance milestones.

## C. Performance Review and Adjustments

### 1. Periodic Financial Reviews

- Conduct periodic financial reviews to evaluate project progress, identify underperformance, and implement corrective measures as needed.

### 2. Flexible Adjustments

- Make adjustments to financing arrangements and risk mitigation strategies based on evolving project circumstances or shifts in market conditions.

## 7. Governance and Accountability

### A. Roles and Responsibilities

#### 1. Finance and Risk Management Committee

- Establish a Finance and Risk Management Committee to oversee financial and risk management activities, including reviewing major financing decisions and approving risk mitigation measures.

#### 2. Management Accountability

- Assign accountability to project managers and financial officers for maintaining financial health and risk compliance across all projects.

### B. Stakeholder Engagement

#### 1. Transparent Communication

- Maintain open lines of communication with stakeholders, providing regular updates on project finances and risk management efforts.

#### 2. Investor Relations

- Engage with investors to communicate financial performance, address concerns, and secure ongoing support for large-scale projects.

### C. Policy Review and Continuous Improvement

#### 1. Annual Policy Review

- Review this policy annually to adapt to changes in financial markets, regulatory updates, and industry best practices.
2. **Continuous Improvement**
- Foster a culture of continuous improvement by implementing lessons learned, leveraging new financial technologies, and refining risk management methodologies.

## 8. Policy Review

This Project Finance and Risk Management Policy will be reviewed annually to ensure that it remains relevant, effective, and aligned with **Miten's** strategic goals and the evolving financial landscape.

### Contact Information

For inquiries about our Project Finance and Risk Management Policy, please contact:

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“The policy provides **Miten** with a robust framework to secure financial stability, manage risks, and support the sustainable success of its extensive project portfolio across various high-stakes industries.”

**Miten Energy**

**Updated: 2009**