

**Indian Port Rail & Ropeway Corporation Limited**  
**(A JV Company under Ministry of Shipping,**  
**Government of India)**



**INTERNAL RISK MANAGEMENT POLICY**  
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## **1.0 INTRODUCTION**

**Indian Port Rail and Ropeway Corporation Limited (IPRCL)** is a multidisciplinary Consultancy and Project Implementation Company equipped with technical professionals in various fields viz; Traffic, Logistics, Civil Engineering, S&T, Electrical, Mechanical including project financials. During the last four years, IPRCL has taken up number of works for planning and execution of rail infrastructure projects which cover modernization and last mile connectivity works. The works taken up by IPRCL include preparation of Feasibility Study Report, Detailed Project Reports, Detailed Engineering, Operation & maintenance and Independent Engineers as well as Project Management Consultant including project execution for development of railway infrastructure for Major ports, Non - Major Ports, private sidings including rail connectivity to ICDs, Dry Ports, Industrial Parks and MMLPs.

Section 134(3)(n) and 177(4) of Companies Act, 2013 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. As per the recommendation of Audit Committee the Board in its 25<sup>th</sup> Board Meeting held on 28.08.2020 directed the company for framing, implementing of Risk Management Policy and constitute a risk Management Committee for monitoring the risk management plan for the company, reviewing the risk policy and ensuring that systems of risk management are in place. Accordingly, the policy is framed. Organizations of all types and sizes face internal and external factors and influences that make it uncertain whether and when they will achieve their business objectives. The effect this uncertainty has on an organization's objectives is "RISK". In recent times all sectors of the economy have shifted focus towards the management of risk as the key to making organizations successful in delivering their objectives while protecting the interests of their stakeholders. Risk may be defined as events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. The exposure to the consequences of uncertainty constitutes a risk. No organization which can operate risk free.

Organizations that are most effective and efficient in managing risks to both existing assets and to future growth will, in the long run, outperform those that are less so. Simply put, companies make money by taking intelligent risks and lose money by failing to manage risk intelligently.

Risk is the probability that a substance or situation will produce harm under specified condition. Risk may be defined as:

- (1) The probability of an event to occur.
- (2) The probability of toxic substance to be released by an event.
- (3) The probability of the adverse effect due to expose of individual population, eco system or other factors to the harmful substance or material.

Risk management is a holistic, integrated, structured and disciplined approach to managing risks with the objective of maximizing shareholder's value. It aligns strategy, processes, people & culture, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value.

With the vision to integrate risk management with the overall strategic and operational practices, an Enterprise Risk Management Framework has been established by IPRCL, as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

### **1.1 DEFINITIONS:**

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

**"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.

**'Risk'** in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organization continuously manages various types of risks. Formal

and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

**'Risk Management'** is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

**Risk Identification** Risk identification is the process of identifying the organization's exposure to uncertainty.

**Risk Assessment** Risk assessment is the overall process of risk analysis and risk evaluation. It allows an entity to consider the extent to which potential risk events have an impact on achievement of objectives.

**Risk Treatment** Risk treatment determines the way to deal with risk. Various mechanisms to treat risk are:

- i. Risk avoidance/ termination – decision not to become involved in, or action to withdraw from, a risk situation.
- ii. Risk transfer –sharing with another party the burden of loss or benefit or gain, for a risk.
- iii. Risk reduction/ mitigation – actions taken to lessen the probability, negative consequence, or both, associated with a risk.
- iv. Risk acceptance/ retention–the acceptance of the burden of loss or benefit or gain, for a risk.

**Risk Appetite** Risk Appetite is the broad-based amount of risk a company or other entity is willing to accept in pursuit of its business objectives and goals.

**'Risk Register'** A prioritized risk register highlighting the key risks for the unit where the Total Risk Score is greater than or equal to 12 and/or the Impact is rated as Very High (5)

**Risk Database** The risks have been classified based on the Business Units and Functions. Repository of all risks facing IPRCL categorized as High, Medium or Low based on the impact and likelihood ratings.

**'Trigger Events'** Events or conditions that could lead to the risk

**'Impact'** The degree of consequences to the organization should the event occur.

**'Likelihood'** The likelihood of the event occurring expressed as an indicative annual frequency.

**'Consequence'** Potential resulting events that could be affected by the key group risk.

**'Risk Source'** Element which alone or in combination has the intrinsic potential to give rise to risk.

**'Risk Rating'** The relative rating determined from the risk score derived from qualitative analysis of impact and likelihood. Categorized as High, Medium or Low.

**'Risk Management Committee'** is Board nominated committee consisting of All Functional GMs/CGMs, Head of Finance

**'Risk Assessment Committee'** is committee nominated by RMC with Head of the committee as Chief Risk Officer (CRO)

## 1.2 PURPOSE OF THE POLICY

- The policy forms part of IPRCL's Internal control & Governance arrangements.
- The policy explains IPRCL's approach to risk management, documents the roles & responsibilities of the Board/ Audit Committee/ Corporate Level Risk Steering Committee/ Chief Risk Officer/ Risk owners etc.
- It also outlines the key aspects of the risk management process & identifies the reporting procedures.
- This policy shall operate in conjunction with other business and operating / administrative practices.

## 1.3 RISK MANAGEMENT POLICY STATEMENT

IPRCL recognizes that it is exposed to a number of uncertainties, which is inherent for the consulting and PMC that it operates in. IPRCL has developed Risk Management Policy to increase confidence in the achievement of organization's objectives and to remain a competitive and sustainable organization and enhance its

operational effectiveness. Effective risk management helps to sustain the business in the competitive global competition.

The policy statement is as given below:

- 1 To establish an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.
- 2 To provide clear, transparent and strong basis for informed decision making at all levels of the organization.
- 3 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.
- 4 To ensure that new emerging risks are identified and managed effectively.
- 5 To put in place systems for effective implementation for achievement of policy objectives through systematic monitoring and effecting course corrections from time to time.

#### **1.4 OBJECTIVES OF THE POLICY**

The main objective of this policy is to ensure sustainable business growth with stability and to promote a proactive approach in identifying, evaluating, reporting and managing risks associated with the business. In order to achieve the key business objectives, the policy establishes a structured and disciplined approach to Risk Management, including the development of the Risk Register, in order to guide decisions on risk related issues. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, mitigated, monitored and reported.
2. To increase awareness among its employees and other stakeholders about the possible risks and measures to mitigate and control the same.
3. To establish a framework for the company's risk management process and to ensure companywide implementation.
4. To ensure systematic and uniform assessment of risks related with projects and operational matter.
5. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
6. To assure business growth with financial stability.
7. The effectiveness of Risk Mitigation plans shall be ensured through proper monitoring, evaluation of outcomes of mitigation plans and to look for the scope of its applicability in other areas in order to achieve overall objective of this policy.

To achieve these objectives, IPRCL shall adhere to the following core principles:

- 1 **Effective Risk Management Process:** The Risk Management Committee constituted by the Board shall have the overall responsibility to ensure effective risk management process within the company.
- 2 **Everyone's commitment:** Every function/ department/ office in the organization shall work in coordination to ensure effective implementation of this risk management policy.
- 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 company's operations, management and decision-Making process. All the identified risks shall be updated in the central repository.
- 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.
- 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.

6. **Result Evaluation:** To assess the effectiveness of the Risk Management Policy and its implementation and need for improvement if any.

## 1.5 SCOPE AND APPLICABILITY OF THE POLICY

The policy guidelines are devised in context of the organization's growth objectives, business Profile envisaged and new business endeavours including new projects that may be necessary to achieve these goals and the emerging global standards and leading practices amongst comparable organizations.

The **Scope of the Policy** shall cover:

- All functions and departments of IPRCL across all offices and locations.
- All Projects (Under Construction and Investigation) of IPRCL within the country.
- All events, both external and internal which shall have an impact on the business objectives of the organization.

### Applicability of the Policy:

The Risk Management Policy is applicable to the Corporate Office and field offices and all Projects of IPRCL.

## 2.1 Risk Governance Structure

### 2.1.1 Risk Management Committee (RMC)

#### Constitution of Risk Management Committee

- |                                     |                    |
|-------------------------------------|--------------------|
| • Group General Manager – Projects: | Chief Risk Officer |
| • Chief General Manager – Projects: | Member             |
| • Chief General Manager-Finance:    | Member             |
| • General Manager – Project:        | Member             |
| • Company Secretary:                | Convener           |

The Risk Management Committee has the key role of aligning the strategic objectives with the organization's operations in order to achieve intended outcomes.

#### Role and Responsibilities of the Risk Management Committee:

- Assist the board in fulfilling its corporate governance in overseeing the responsibilities with regard to the identification, evaluation and mitigation of operational, strategic and external environment risks.
- Monitor, approve and review the risk policies/ plans and associated practices of the company.
- Review and approve risk disclosure statements in any public documents or disclosures.
- Carry out any other function as required by the provisions of the Companies Act, 2013, Listing agreement and Corporate Governance Guidelines issued by DPE.
- Ensure that appropriate systems are in place to manage the identified risks, so that the organizations assets and reputation are suitably protected.
- Ensure that responsibility and authorities are clearly defined and adequate resources are assigned to implement the Risk Management Policy.
- Review the reports from the Risk Assessment Committee and take remedial action.

### 2.1.2 Risk Assessment Committee (RAC)

#### Constitution of Risk Assessment Committee:

- The Chief Risk Officer (CRO) – Not below the rank of General Manager nominated by MD
- AGM (P & CC), AGM (Projects, VSKP), AGM (Finance), JGM (HR), CS

**Role and Responsibilities of Risk Assessment Committee: The Risk Assessment Committee shall have**

**the key role of identifying the key risks, suggest mitigation measures, monitoring and supervising the implementation of the Risk Management Policy and maintain wide view of the key risks faced by the organization.**

- Identify, evaluate and assess the key risks anticipated for the organization in association with Unit Heads HoDs/Dy. HoDs and suggest mitigation measures to the risk coordinators.
- Ensure that effective risk mitigation plans are in place and the results are evaluated and acted upon.
- Report the key risks faced by the organization and their mitigation plans to the Risk Management Committee.
- Ensure that the Risk Management Committee is informed about any new/emerging risks faced by the organization in case of exigencies/emergent conditions.
- Identify & suggest newer methodologies for measuring and managing risk.
- Coordinate with Internal Audit Group to continuously verify data for operational losses.
- Play an active role along with business groups in designing standard operating procedures, research teams for RMC.
- Assist the Risk Management Committee in overseeing and monitoring the development and implementation of the Risk Management Policy.
- Prioritize the risks reported according to their risk ratings and assist the risk management committee in decision making for risk management responses for identified key risks.

### **Chief Risk Officer**

The Chief Risk Officer (CRO) shall be the department Head not below the rank of General Manager nominated by MD who works with the risk coordinators to ensure effective implementation of wide risk management process. The CRO shall be the convenor of the Risk Assessment Committee meeting.

### **Roles and Responsibilities of the CRO:**

- Communicating and managing the establishment and ongoing maintenance of risk management policy pursuant to the organization's risk management vision.
- Designing and reviewing processes for risk management.
- Communicating with the Risk Management Committee regarding the status of risk management and reporting the key risks faced by the organization.
- Convene the Risk Assessment Committee meeting and facilitate discussions among the committee to fulfill its responsibilities.

## **2.2 Risk Reporting Structure**

The following risk reporting structure shall be followed by the organization:

### **First Line of Reporting**

- HoDs/Dy. HoDs shall send the report on status of risks to the RAC for information in the format as provided in Risk Register on quarterly basis.

### **Second Line of Reporting**

- The Chief Risk Officer along with the other members of the Risk Assessment Committee shall review the risks with their mitigation measures and decide upon the key risks which shall be reported to the Risk Management Committee on bi-annual basis.
- After the Risk Assessment Committee approves the risks and their mitigation measures under chairmanship of CRO, RAC shall record it in the risk register and handover the risks with their mitigation plans to the concerned HoDs/Dy. HoDs for the implementation of the mitigation plans on quarterly basis.
- Upon deciding and implementing the mitigation plan the Risk Assessment Committee through the CRO shall present it to the Risk Management Committee on bi-annual basis.

### **Third Line of Reporting**

- The Risk Management Committee shall apprise the Board on the key risks faced by the organization and the mitigation measures taken on bi-annual basis.
- The Risk Management Committee shall also apprise the Board for decision on any new/emerging risks faced by the organization in case of exigencies/ emergent conditions.

**The followings are some major types of risks:**

1. Business Acquisition Risk – Risk of not acquiring new business as planned in spite of opportunities
2. Sub-optimal pricing for Risk-
3. Sub-optimal project selection- It refers to the risk of not selecting projects with the best potential risk/reward ratios.
4. Contractual Risk – Erroneous clauses in contract which could compromise IPRCL’s interest.
5. Legal Compliance Risk- Compliance risk arises due to non-compliance of various local, national, foreign laws.
6. Delay in Project Completion-
  - This risk refers to the consequences of non-completion of the project by the contracted/ agreed due dates. These consequences may range from arbitrations, litigations, loss of reputation etc. It is to be noted that delays beyond the extension granted by the client are covered within the scope of this risk.
  - In complete specification of scope of project leading to time and cost over-runs.
  - Risk related to Govt. regulations & policies on land acquisition. There may be difficulty in acquiring land due to people’s protest and non-acceptance of either land acquisition notification or the compensation. Displacement will be a major issue.
  - Delay in timely approvals and clearances by Railway administration.
7. Escalation of Project Cost- This risk of actual project costs exceeding the budgeted project costs is covered here. The budgeted project costs refer to those which have been used in the pricing/ bidding process.
8. Collateral Impact on other Projects-
9. Inadequate feedback to marketing
10. Improper sub-contractor selection risk- The risk of sub-optimal selection of the contractors is covered here. Sub-optimal selection implies selection of contractors with higher probability of failure.
11. Improper supplier selection Risk- The risk of suboptimal selection of the suppliers is covered here. Suboptimal selection implies selection of suppliers with a higher probability of failure.
12. People Risk – Relates to understanding need of employees and aligning it to organisational goals.
13. Information Technology Risk – IT Failures
14. Foreign Exchange Risk
15. Sovereign Risk – Unanticipated change of laws or adhoc measures adopted by the government
16. Environmental RISK – Relates to infringement of environment related issues.
17. Country Risk: IPRCL is now mandated to work in foreign countries also. Risks specific to those countries not covered above include political environment, integrity quotient, law and order in that country, enforceability of contract in that country, staffing of the project sites, etc.

The followings are the key areas on which mitigation measures are to be adopted:

1. Marketing and awarding of works
2. Preliminary activities
3. Sub-contracting
4. Vendors
5. Execution stage
6. Maintenance during DLP
7. Planning and mobilization of resources
8. Human Resource Management
9. Arbitration and Claims
10. Continual Improvements

**3.1 Risk Identification**

Risk identification sets out to identify an organization's exposure to uncertainty. This requires an in-depth knowledge of the organization, the market in which it operates, the economic, legal, regulatory, social, political, technological and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these 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

### 3.1.1 Risk Categorization

All the risks that have been identified shall be classified under the following risk categories - Strategic, Financial, Operational and Compliance risk.

- **Strategic Risk** - Risk of loss resulting from business factors. These risks adversely affect the achievement of strategic objectives and may impair overall value.
- **Financial Risk** - Risk directly impacting the balance sheet and access to capital.
- **Operational Risk** - Risk of loss resulting from inadequate or failed processes, people and information systems.
- **Compliance Risk** - Risk arising out of non-compliance with/ non-fulfillment of legal, regulatory and statutory requirements.

### 3.2 Risk Assessment

Risk assessment allows an entity to consider the extent to which potential events have an impact on achievement of objectives.

The risks identified shall be evaluated on an appropriate risk rating for each risk identified as per the criteria below:

Risk Exposure (rating) shall be the product of the Impact and Likelihood of risk

The factors (indicative) to be used to determine Impact shall be as follows:

Impact Criteria	Extreme (5)	Major (4)	Moderate (3)	Minor (2)	Insignificant (1)
<b>Financial Risk</b>					
Reduction in profitability or turnover	> 0.50%	0.40 - 0.50%	0.30 - 0.40%	0.20 - 0.30%	Up to 0.20%
Failure to detect fraud	> Rs. 0.50 Cr	Rs. 0.25 - 0.50 Cr	Rs. 0.10 - 0.25 Cr	Rs. 0.05 - 0.10 Cr	Up to 0.05 Cr (Project cost)
<b>Reputational Risk</b>					
Impact on Brand Image	National level long term negative media coverage	Regional level long term negative media coverage	Short term negative media coverage	Local reputation	Local media attention quickly

				damage	remedied
<b>Operational Risk</b>					
<b>Business Disruption</b>	Cease of Operations / Business	More than 7 days	3 to 7 days	1 to 3 days	No disruption of critical operations and services
<b>Impact due to delay in project completion/penal/charges</b>	LD > Rs. 10 lakhs	Rs. 8 – 10 lakhs	Rs. 6 – 8 lakhs	Rs. 4 – 6 lakhs	Up to Rs. 4 lakhs
<b>Strategic Risk</b>					
<b>Reduction in turnover</b>	>10%	8 - 10%	6 - 8%	4 - 6%	Up to 4%
<b>Regulatory / Legal / Compliance Risk</b>					
<b>Statutory Fine / Liability</b>	> Rs. 20 lakhs	Rs. 16 – 20 lakhs	Rs. 12 - 16 lakhs	Rs. 8 - 12 lakhs	Up to Rs. 8 lakhs
<b>Non- compliance impact</b>	Prosecution, Significant fine & litigations	Regulatory intervention or Serious legal liability exposure	Regulatory warning or Moderate legal liability exposure	Minor legal liability exposure	Not Reportable to Regulator
<b>Environment Risk</b>					
<b>Environmental damage</b>	Major, irreparable environmental damage leading to stoppage of production	Environmental damage and show cause notice received from authorities	Environmental damage requiring mitigation	Repairable environmental damage	Minor environmental damage

The factors to be used to determine **likelihood** shall be as follows:

Probability Criteria	Most Probable (5)	Probable (4)	Possible (3)	Unlikely (2)	Rare (1)
<b>Measurement</b>	Certain to happen in the next 12 months	Highly likely to happen in the next 2-3 years	Likely to happen in the next 3 - 5 years	Unlikely to occur at any time in the foreseeable future	Theoretically possible, but not expected to occur

### Risk Rating

The Risk Rating Matrix shall be as follows:

<b>Extreme</b>	5	5	10	15	20	25
<b>Major</b>	4	4	8	12	16	20
<b>Moderate</b>	3	3	6	9	12	15
<b>Minor</b>	3	2	4	6	8	10
<b>Insignificant</b>	1	1	2	3	4	5
		1	2	3	4	5
		Rare	Unlikely	Possible	Probable	Most Probable

### 3.3 Risk Mitigation Strategy

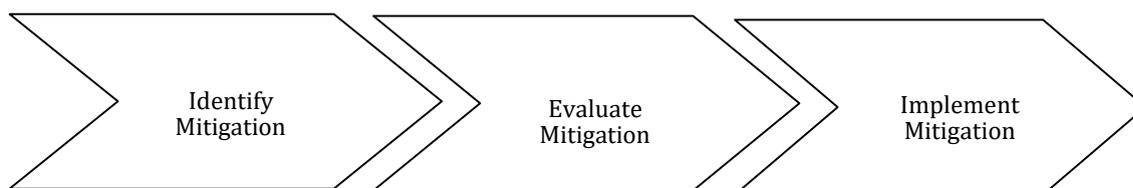
There are four common strategies for treating risk. There is no single “best” response strategy, and each risk must be considered on its own merits. Some risks may require a combination of strategies and multiple responses, whereas others may need only one strategy with a single response.

- **Risk avoidance/ termination:** This involves doing things differently and thus removing the risk. This is particularly important in terms of project risk, market risk or customer risk but often wishful thinking in terms of the strategic risks.
- **Risk reduction/ mitigation:** Reduce or Treat the risk. This is the most widely used approach. The purpose of treating a risk is to continue with the activity which gives rise to the risk but to bring the risk to an acceptable level by taking action to control it in some way through either:
  - Containment actions (lessen the likelihood or consequences and applied before the risk materializes) or;
  - Contingent actions (put into action after the risk has happened, i.e. reducing the impact. Must be pre-planned)
- **Risk acceptance/ retention:** Accept and tolerate the risk. Risk Management doesn't necessarily mean risk reduction and there could be certain risks within the organization that it might be willing to accept and continue with its operational activities. The organization shall tolerate such risks that are considered to be acceptable, for example:
  - a risk that cannot be mitigated cost effectively.
  - a risk that opens up greater benefits than loss.
- **Uncontrollable risks:** The Risk Assessment Committee shall take a decision to tolerate a risk as a mitigation measure, and when such a decision is taken, the rationale behind it shall be fully documented. In addition, the risk shall continue to be monitored and contingency plans shall be in place in the event of the risk occurring.
- **Risk transfer:** Transfer some aspects of the risk to a third party. Examples of risk transfer include insurance and hedging. This option is particularly good for mitigating financial risks or risks to assets.
  - a) The following aspects shall be considered for the transfer of identified risks to the transferring party:
    - Internal processes of the organization for managing and mitigating the identified risks.
    - Cost benefits analysis of transferring the risk to the third party.
  - b) Insurance can be used as one of the instruments for transferring risk.

### 3.3.1 Risk Mitigation Process

The risks are identified and if the risk treatment mechanism selected is risk mitigation or risk transfer, the next step shall be to review and revise existing controls to mitigate the risks falling beyond the risk appetite and also to identify new and improved controls.

#### Risk Mitigation Process:



#### Identify controls:

New control activities are designed in addition to existing controls post assessment of risk exposure at current level to ensure that the risks are within the accepted risk appetite.

Control activities are categorized into Preventive or Detective on the basis of their nature and timing:

- Preventive controls – focus on preventing an error or irregularity.
- Detective controls — focus on identifying when an error or irregularity has occurred. It also focuses on recovering from, repairing the damage from, or minimizing the cost of an error or irregularity.

#### Evaluate Controls:

The controls identified for each risk event shall be evaluated to assess their effectiveness in mitigating the risks falling beyond the risk appetite.

## Implement Controls

It is the responsibility of the Risk Assessment Committee to ensure that the risk mitigation plan for each function/department is in place and is reviewed regularly.

**The followings are some examples of mitigation measures:**

SN	Risks	Mitigation Measures
1	Inadequate staffing risk	Manpower deployment policy commensurate with scope of work, project cost and turnover and Postings accordingly Department wise yard stick on staff cost. Project monitoring through PMCs to save staff costs to be competitive in the market
2	Arbitration and claims	Separate vertical for focused handling of Arbitration and Claims with performance criteria
3	Inadequate knowledge risk	Refresher training for all and special for employees rated good and below Mandatory certification for all Project Heads for in Project Management and other Specialized Field; Weekly experience and knowledge sharing sessions at project & Assurance register
4	Bidding capacity risk	To avoid imbalance between Turnover and Order Book that leads to disqualification in further bidding Carefully planning to keep Bidding Capacity Intact.
5	Sub-optimal risk allocation	Higher risks on contractors lead to higher cost or contractor's failure SCC and GCC to be reviewed to reasonably distribute risks between IPRCL and contractor
6	Community Management risk	To avoid disruption of work due to public agitation for jobs, property compensation, against dislocation through regular community interaction programs
7	Employee stress	To have regular programs for stress management for all employees Promoting Sports and Picnic for Informal Interactions among employees of different levels
8	Business Acquisition Risk	Basket of mixed type of works. Bids to be submitted 6 times of target acquisition. Plan for cost plus works from Port, Railway JVs.
9	Sub optimal pricing for risk	Pricing may be done after considering optimistic, pessimistic & normal price Market to be assessed properly with competitors in mind.
10	Sub optimal project selection	Projects shall be related to our core competency where we have plus advantage. We may go for more cost-plus projects.
11	Contractual Risk	Contract Manager nominated for handling a contract shall be trained in contract management. All the bottlenecks, delay on account of client shall be listed in hindrance register.
12	Legal Compliance Risk	All major contracts shall have a legal expert to advise from time to time on legal issues.
13	Delay in project completion	Projects shall be invariably monitored through modern networking techniques. Solution to be worked out for bottleneck in the project.
14	Escalation in project	There shall be adequate provision in the contract for escalation. Delays in projects to be avoided.
15	Collateral Impact	To avoid collateral impact, proper monitoring of contracts to be ensured.
16	Inadequate Feedback to marketing	Regular feedback on the performance problem to be sent to marketing including lesson learnt.
17	Improper Contractor selection	Essential qualifying criteria & detailed analysis of contractor's performance & ability to be done.
18	Peoples Risk	Key result areas/targets to be fixed for all employees. To be monitored regularly.

		If required, training may be arranged on need basis.
19	IT Risk	Adequate arrangement to keep abreast with latest development in IT sector.
20	Foreign Exchange Risk	Proper hedging to be done keeping in mind country's future growth/development.
21	Sovereign Risk	Business to be developed with nation having strong credibility. Timely action to be taken in case of need.
22	Confidentiality Risk	Confidential information to be dealt with persons meant for the purpose. Such information to be available with person of confidence.
23	Delay in Land acquisition	It is to be <b>ensured</b> to submit papers of land acquisition timely & to have a proper land consultant to expedite the progress.
24	Natural Calamity Risk	Managers to trained in disaster management.
25	Delay in Contract Award	Tenders are to be finalised based on the programme prepared by following modern networking techniques.
26	Equipment Risk	Responsible department to take action by up-keeping by all equipment & plan resource management in professional way.

### 3.4 Risk Monitoring & Review

The Risk Assessment Committee shall work on an ongoing basis within the risk management framework outlined in this policy to mitigate the risks to the organization's business as it may evolve over time.

#### 3.4.1 Risk Monitoring

As the risk exposure of any business may undergo change from time to time due to continuously changing environment, the risks with their mitigation measures shall be updated on a regular basis.

The following process shall be followed:

##### **Quarterly:**

The departments/project/power stations held shall review and report status of risks and treatment actions to the Risk Coordinators with a copy to CRO on quarterly basis. In addition, Risk Coordinators shall identify and respond any new or changed risk to the CRO on quarterly basis.

1. The Risk Assessment Committee shall monitor and supervise the development and implementation of the Risk Management Policy and maintain wide view of the key risks and their mitigation measures faced by the organization on quarterly basis.
2. The CRO along with the other members of the Risk Assessment Committee shall identify the key risks and suggest mitigation measures to the concerned risk coordinators on quarterly basis.

##### **Half yearly:**

1. The Risk Assessment Committee shall report the key risks and their mitigation plans to the Risk Management Committee on bi-annual basis.
2. The Risk Management Committee shall apprise the Board through CED, IPRCL on the key risks faced by the organization and the mitigation measures taken on bi- annual basis.

#### 3.4.2 Risk Review

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and appropriate controls and responses are in place. Regular audits of policy and standards compliance shall be carried out and standards performance reviewed to identify opportunities for improvement. It shall be remembered that organization is dynamic and operate in dynamic environment. Changes in the organization and the environment in which it operates must be identified and appropriate modifications made to risk management practices. The monitoring process shall provide assurance that there are appropriate controls in place for the organization's activities and that the procedures are properly understood and followed.

The Risk Coordinators along with department/project heads shall review the progress on the actions agreed to mitigate the risk and make an assessment of the current level of risk including:

- Establishing whether actions have been completed or are on target for completion
- Report the status of implementation of mitigation plans to the CRO.

**Risk monitoring and review process shall also determine whether:**

- The measures adopted resulted in what was intended.
- The procedures adopted and information gathered for undertaking the assessment was appropriate.
- The acceptability of each identified risk and their mitigation plan shall be assessed and risks shall then be ranked to identify key risks for the organization.
- Proposed actions to eliminate, reduce or manage each material risk shall be considered and agreed.
- Responsibilities for the mitigation measures for key risks management of each risk shall be assigned to appropriate departmental heads.

**4.1 Approval of the Policy**

IPRCL Board and/or Audit Committee shall be approving authority for the Company's overall risk management Committee shall monitor the compliance of the risk Management Policy and any amendment thereto from time to time.

**4.2 Review of the Policy:**

**4.3 Maintenance of Risk Register:**

The risk management policy shall be reviewed mandatorily in every two year based on change in the business environment regulations/standards/best practices in the industry. However, in case of exigency, the same may be reviewed earlier also.

Format of risk Register is enclosed herewith (as Annexure 5).

Centralized Risk Register with their mitigation plan shall be maintained by RAC and shall be reviewed & updated as per the policy guidelines.