HIMACHAL PRADESH STATE ELECTRICITYBOARD LIMITED
(A State Govt. undertaking)

Registered office	Vidyut Bhawan, HPSEBL, Shimla-171004(H.P)
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OFFICE ORDER

The Board of Directors of Himachal Pradesh State Electricity Board Limited in its meeting held on 22nd July 2022 approved the Risk Management Policy of the HPSEBL as per **Annexure A**.

This Risk Management shall become operative from the date of issuance of this Order.

The Chief Engineer (P&M), HPSEBL is hereby designated as Nodal Officer for the implementation of Risk Management Policy

Further, all Controlling Officer(s) i.e. ED(Persl.)/CEs/CAO/CA/MD, BVPCL are designated as Chief Risk Officers (CRAs) of their respective Wing/Units/Office under the Policy.

(Gopal Chand, IAS)
Director (Fin. & Persl.)

No. HPSEBL/SECTT/CS/302-13/RMC/2021-43275-96 **Dated:** 30/7/22

Copy forwarded for information and necessary action:-

1. The Specl. Pvt. Secretary of the Chairman, HPSEBL, Shimla-02 for information of Hon'ble Chairman.
2. All the Directors of HPSEBL.
3. Executive Director (Pers.), HPSEBL.
4. All the Chief Engineers/CAO/CA, HPSEB Ltd.
5. Managing Director, BVPCL, Jogindernagar, Mandi.
6. The Company Secretary, HPSEB Ltd., Shimla-4.
7. The Superintending Engineer (IT), HPSEB Ltd., Shimla-4 for uploading the same in the website of HPSEB Ltd.

Director (Fin. & Persl.)

HIMACHAL PRADESH STATE ELECTRICTY BOARD LIMITED
(A STATE GOVT. UNDERTAKING)
CIN: U40109HP2009SGC031255
VIDYUT BHAWAN, HPSEBL, SHIMLA-04

HPSEBL

RISK MANAGEMENT POLICY

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1. Introduction

1.1. ABOUT ORGANIZATION

The Himachal Pradesh State Electricity Board was constituted on the first day of September, 1971 in accordance with the Electricity (Supply) Act, 1948, which has been re-organized as Himachal Pradesh State Electricity Board Ltd.(HPSEBL) w. e. f. 14.06.2010(as notified) under the Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010 as public Limited Company registered under the Companies Act, 1956 (Now "the Companies Act, 2013") which was registered on 03rd December 2009 vide CIN U40109HP2009SGC031255 with the Ministry of Corporate Affairs, New Delhi.

VISION AND MISSION OF ORGANIZATION

VISION

To be one of the most admired and reliable generating utilities in India to cater to the increasing demand at economical cost by adopting the best industry practices, thereby creating value for all stakeholders.

- 24X7 power supply
- At competitive rates
- to all the consumers of the State of Himachal:
- To Be Best Power Utility -In terms of Customer Service, Efficiency & Financial Viability.

MISSION

To retain the status of the biggest provider of reliable and economical power in Himachal Pradesh by timely capacity addition, performance improvement, cost reduction, better utilization of human resources, concentration on environmental protection

- To achieve 100% Rural Electrification Infrastructure for Electrification of Villages & Hamlets.
- To provide 24x7 reliable, quality and un-interrupted supply to its consumers.
- To provide POWER TO ALL on demand.
- To strengthen the existing power network based on present advanced technology with an objective to reduce T&D losses.
- To plan and provide strong power system to the state and its consumers at an affordable cost.
- To generate additional revenue for the Corporation and State by developing a strong, adequate, reliable and cohesive power network based on most techno-economical aspects to contribute towards the development and prosperity of the State.

1.2. NEED FOR POLICY

In today's dynamic business environment risk landscape is evolving very rapidly, and it has become imperative for HPSEBL to take a structured approach for risk management to ensure that all the risks are managed effectively. Alternativly, these risks have the potential to disrupt achievement of HPSEBL's strategic and operational objectives. Enterprise risk management helps organizations to identify events and measure, prioritize and respond to the risks challenging its most critical objectives and related project's, initiatives and day-to-day operating practices.

The objective is to protect stakeholders' interest through the establishment of an integrated Enterprise Risk Management Framework to provide clear and strong basis for informed decision making at all levels of the organization.

In addition to this, regulatory requirements such as SEBI regulations on Corporate Governance and Companies Act, 2013 have been imposed on the organization to have a robust enterprise risk management framework which shall be reviewed periodically, and in lieu of these requirements, HPSEBL has decided to formulate Risk Management Policy within the organization.

This policy is a formal acknowledgement of the commitment of the organization to risk management. The aim of the policy is not to have risk eliminated completely from HPSEBL's activities, but rather to ensure that every effort is made by the organization to manage risk appropriately to maximize potential opportunities and minimize the adverse effects of risk. The organization aims to use risk management to take better informed decisions and improve the probability of achieving its strategic and operational objectives.

1.3. RISK MANAGEMENT POLICY STATEMENT

HPSEBL recognizes that it is exposed to a number of uncertainties, which is inherent for the power sector that it operates in. The volatility of the power sector affects the financial and non-financial results of the business.

To increase confidence in the achievement of organization's objectives, HPSEBL has developed Risk Management Policy – to remain a competitive and sustainable organization and enhance its operational effectiveness.

The policy statement is as given below:-

1. To ensure protection of stakeholders' interest through the establishment of an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.
2. To provide clear 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 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 identify business objectives which reflect the interests of all beneficiaries and stakeholders.
2. To identify the threats to the achievement of business objectives
3. To regularly review the risk landscape as a result of business activities and of the business and economic climate in which the Company is operating
4. To regularly review exposure to all forms of risk and reduce it as far as reasonably practicable or achievable
5. To identify and regularly measure key risk indicators and take appropriate action to reduce the risk exposure
6. To regularly review the key risk controls to ensure that they remain relevant, robust and effective.
7. To control and manage risk by appropriate risk reduction and mitigation actions.

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

1. Effective Accountability: The Board has the overall responsibility to ensure effective risk management process within the company.
2. Team's commitment: Every function/ department/ project site/ office in the organization shall work in coordination to ensure effective implementation of this enterprise risk management policy.
3. Proactive Leadership: Risk identification (including identification of the risk of lost opportunities), risk assessment 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.

1.5. SCOPE AND APPLICABILITY

The policy guidelines are devised in context of the organization's growth objectives, business profile envisaged and new business endeavors including new projects that may be necessary to achieve these goals and the emerging global standards and leading practices amongst comparable organizations.
Scope of the Policy shall cover:-

1. All functions and departments of HPSEBL across all offices and locations
2. All Projects (Under Construction and Investigation) of HPSEBL within and outside the country
3. All Operational Power Stations of HPSEBL
4. All events, both external and internal which shall have an impact on the business objectives of the Organization

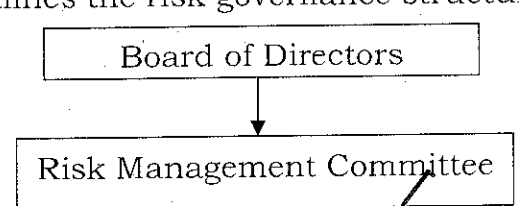
The Risk Management Policy is applicable to the Corporate Office, Regional offices & Liaison offices, Power Stations and all the Project Sites of HPSEBL.

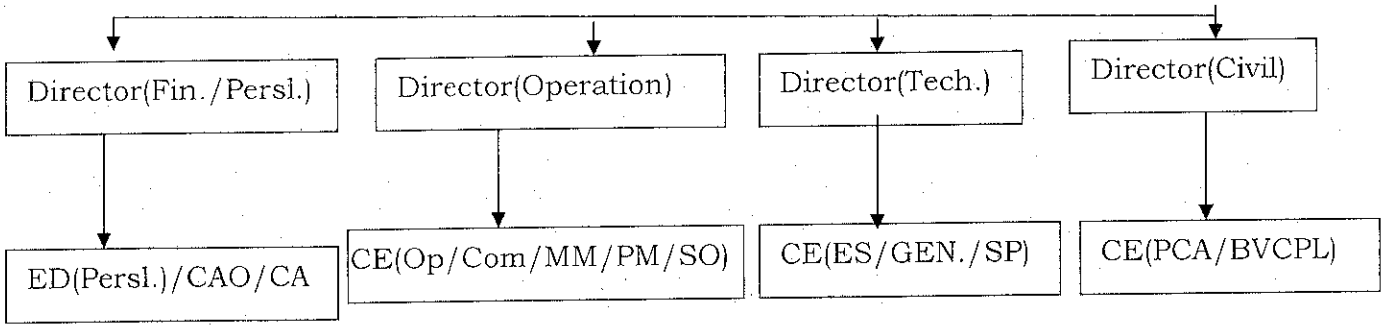
2. RISK GOVERNANCE

2.1. RISK GOVERNANCE STRUCTURE

A well-defined risk governance structure serves to communicate the approach of risk management throughout the organization by establishing clear allocation of roles and responsibilities for the management of risks on a day to day basis. In order to develop and implement an Enterprise Risk Management framework, HPSEBL has constituted a Risk Management Committee.

The diagram below outlines the risk governance structure for HPSEBL: -





2.2 RISK MANAGEMENT COMMITTEE

The Board of Directors in its meeting held on 30.09.2021 approved the Constitution of Risk Management Committee of HPSEBL as follows:-

1. Managing Director - Chairman
2. Director (Finance) - Member
3. Director (Technical) - Member
4. Smt. Priyanta Sharma, Director(Ind.) - Member
5. Company Secretary - Secretary

Role and Responsibilities of Risk Management Committee:-

The terms of reference and role of the Risk Management Committee include the following:-

(1) To formulate a detailed risk management policy.

(a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

(b) Measures for risk mitigation including systems and processes for internal control of identified risks.

(c) Business continuity plan.

(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

(3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

(6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

(7) The Risk Management Committee shall coordinate its activities 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.

2.3 Chief Risk Officer

The Chief Risk Officer (CRO) shall be appointed/designated to work with the departments/project site/power station heads in establishing and implementing the risk management process effectively in their areas of responsibilities. All the units/wings/offices in-charge shall be designated/assigned as Chief Risk Officers and responsible to ensure the risk management activities under this policy.

Roles and Responsibilities of the CRO:

1. Communicating and managing the establishment and ongoing maintenance of risk management policy pursuant to the organization's risk management vision.
2. Designing and reviewing processes for risk management.
3. Communicating with the Risk Management Committee regarding the status of risk management and reporting the key risks faced by the organization through their respective functional Director.
4. Facilitating discussions among the Risk Management Committee to fulfill its responsibilities.
5. Validating that the risk management policy is implemented in each department/ project site/ power station and that all significant risks are being recognized and effectively managed in a timely manner and conduct reassessment of the same, if required.

Risks identified shall be widely circulated within the organization.

2.4 RISK CELL

The Risk Cell shall be a team of dedicated members constituted/nominated by CRO who shall report directly to the CRO.

Roles and Responsibilities of the Risk Cell:

1. Assist the CRO in organizing Risk Management Committee.
2. Record the key risks and their mitigation measures in the risk register as per Appendix -1 and put up for the perusal of CRO on regular basis who shall further report it to the Risk Management Committee through their respective functional Director.

2.5 RISK REPORTING STRUCTURE

The following risk reporting structure shall be followed by the organization:
First Line of Reporting:-

1. The department/project site/power stations/sub-stations heads shall identify the key risks of their respective departments.
2. The department/project site/power station heads shall ensure the implementation of risk mitigation plan within their respective departments/ power stations/ project sites.
3. The department/project site/power station heads shall send the report on status of risks and mitigation measures taken on quarterly basis to the CRO for reporting to the Risk Management Committee.

Second Line of Reporting: -

1. The Chief Risk Officer i.e. ED/CEs/CAO/CA shall identify the risks and decide upon the key risks and consult with their respective function Director. Thereafter CROs shall submit the same on half yearly basis to the Risk Management Committee.

Third Line of Reporting:-

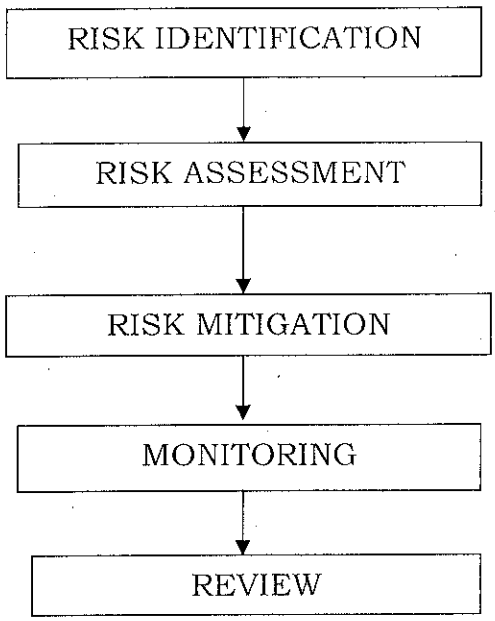
1. The Risk Management Committee shall half yearly basis apprise the board of Directors on the key risks faced by the organization and the mitigation measures taken.
2. The Risk Management Committee shall also apprise the Board for decision on any new/emerging risks faced by the organization in case of exigencies/emergent conditions.

3. RISK MANAGEMENT APPROACH

Risk Management is the process which shall enable the organization to identify, assess and treat risks. It is the responsibility of everyone in the organization viz. Board, Management Team and all HPSEBL personnel. Risk Management applies to all functions, departments and operations within the organization.
The primary objective(s) of establishing a Risk Management Process is to ensure that:

1. Risks faced by the organization shall be identified and collected in a central repository, enabling the top management to take a comprehensive view of the same.
2. Risks identified shall be assessed, mitigated, monitored and reviewed on an ongoing basis.

The Risk Management Process is depicted below:



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 its 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 are defined.

The following methodologies can be used to identify risks:

1. Brainstorming
2. Surveys /Interviews/Working groups
3. Experiential or Documented Knowledge
4. Risk Lists - Lessons Learned
5. Historical risk event information

3.2 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 enterprise 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 of loss resulting from legal and regulatory factors, such as strict privacy legislation, compliance laws, and intellectual property enforcement.

From the point of view of tracking, risks have further been divided on the business units handling the risk mitigation:-

Corporate Level Risk-These risks will be handled by the corporate team and would require mitigation for the entire organization. For e.g. financing, strategy, design risks etc. would need mitigation from corporate offices.

Projects – Power Hydro Generation Risks- These are power hydro power risks and need mitigation at the project/plant head level. The associated risks e.g. may w.r.t. project evaluation, inviting land acquisition, R & R issues, some technical issues resulting ito time and cost overruns, operational aspect that would need same mitigation measure. This category would cover both under construction as well as completed project risks.

Projects –Transmission line Risks- These risks deal with transmission lines projects/ EHV/HV/LT Lines, 220/132/66/33/11 kV Sub-stations specific risks and need mitigation at the plant head level. For example operations, fuel procurement etc. would need mitigation in respect of each sub-station/ line. This category would cover the risks in case of both under construction as well as completed project.

Projects Distribution business Risks- These risks deal with distribution of process / transformers/ lines specific risks etc. and need mitigation at the plant sub-station/divisions/sub-divisions level.

3.3 RISK ASSESSMENT

Risk assessment allows an entity to consider the extent to which potential events have an impact on achievement of objectives. The events are assessed from two perspectives i.e. likelihood and impact. The positive and negative impacts of potential events are to be examined, individually or by category, across the entity.

Risk Rating is the result of the product of impact and likelihood of occurrence of a risk with the consideration of controls in place.
The risks identified shall be evaluated by their likelihood and impact parameters as per the following methodology:

Impact Rating : Determination of Financial, Operations, Legal & Regulatory impact due to risk occurrence				
Risk Category	Risk Parameters	Measurement Reference		
		Low (Rating -1)	Medium (Rating -2)	High (Rating -3)
Financial	Impact on key company financials such as operating revenue	Insignificant impact on company financials - operating revenue (Cost of impact is likely to be less than Rs. 1 Crores p.a.- Less than 0.1% of revenue)	Moderate impact on company financials - operating revenue (Cost of impact is likely to be between Rs. 1-10 Crores p.a.- Between 0.1%-1% of revenue)	Significant impact on company financials - operating revenue (Cost of impact is likely to exceed Rs. 10 Crores p.a.- more than 1% of revenue)
Strategic	Impact on key strategies for organization such as customers, employees and vendors	Minimum impact on stakeholders	Moderate impact on stakeholders	Significant impact on stakeholders
Operations	Impact on service availability, productivity, third party relationships, brand value and reputation	Minimal impact on operations	Moderate impact on operations	Significant impact on operations
Compliance	Legal and Regulatory breach and its consequences due to non-compliance to	Minimal or No Impact	Moderate compliance failures detected, limited penalties	Significant compliance failures detected, show cause notice

	legal and regulatory requirements			or Significant penalties

3.4 ESTIMATE IMPACT OF EVENT:

Process of impact of risk quantification for the company has to be qualitative, supported by quantitative impact analysis. To apply this approach, the chain of adverse consequences, which may occur in case the identified risk materializes, shall be enlisted. For each of the chains of adverse consequences, the cost impact needs to be calculated and attributed to the particular risk. In such an exercise, actual cost impacts (like claims by contractor, loss of equipment value, etc.) as well as opportunity costs (like loss in realization of revenue, delay in commission of project etc.) must be captured to arrive at the total cost impact of materialization of the risk.

In case, the rating based on different parameters are different, higher of the two or more ratings shall be considered as the final risk rating.
E.g. For a particular risk, Impact rating is 3 based on the Financial parameter and 2 based on the Operations parameter, the final impact rating shall be taken to be as 3.

3.5 ESTIMATE LIKELIHOOD OF OCCURRENCE:

Process of likelihood of risk quantification for the company has to be qualitative based on Stakeholder discussions and supported by data on the occurrence .To assess the likelihood, the following classification matrix shall be considered as below:-

Likelihood Rating: **Determination of Risk occurrence**		
Risk Measurement Score (Likelihood)	**Classification**	**Supplement information to determine the score of Likelihood.**
1	Unlikely	Rare Occurrence based on History
2	Likely	Annual occurrence
3	Very Likely	More than once in a year

The Following table shall be used to analyse and calculate the Risk exposure:

SR. No.	Risk Description	Risk Impact			Likelihood Rating	Risk Exposure	Mitigation Plan	Mitigation Status	Remarks
		Risk Category	Rating	Final impact rating (Highest of impact ratings)	Based on Stake holder views				
		Financial							
		Strategic							
		Operational							
		Compliance							

Risk Exposure:
The risk assessment methodology adopted defines risk exposure as a product of Impact (rating) of the risk and the Likelihood of occurrence (rating) of the risk.

Impact	X	Likelihood	=	Exposure

(Rating from 1 to 3) (Rating from 1 to 3) (Rating from 1 to 9)

The ratings of risk exposure are as follows:-

Risk Exposure Rating	
Risk Exposure Score	Classification
<=3	Low
>3 &<=6	Medium
>6 &<=9	High

4. RISK MITIGATION

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.

1. **Risk avoidance/ termination:** This involves doing things differently and thus removing the risk (i.e. divestments). This is particularly important in terms of project risk, market risk or customer risk but often wishful thinking in terms of the strategic risks.

2. **Risk reduction/ treatment:** To 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:
   i. Containment actions (lessen the likelihood or consequences and applied before the risk materializes) or;
   ii. Contingent actions (put into action after the risk has happened, i.e. reducing the impact. Must be pre-planned).
3. **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. HPSEBL shall tolerate such risks that are Considered to be acceptable, for example:
   i. a risk that cannot be mitigated cost effectively;
   ii. a risk that opens up greater benefits than loss;
   iii. Uncontrollable risks.

   It's the role of Risk Management Committee to decide to tolerate a risk, 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 recurring.
4. **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.

   The following aspects shall be considered for the transfer of identified risks to the transferring party:
   i. Internal processes of HPSEBL for managing and mitigating the identified risks.
   ii. Cost benefit of transferring the risk to the third party.
   iii. Insurance can be used as one of the instrument for transferring risk.

Risk Reduction/ Mitigation Process

The risks are identified and the risk mitigation mechanism selected is risk treatment 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 identify new and improved controls.

Risk Mitigation Process:

5. IDENTIFY CONTROLS

New control activities shall be 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 Management Committee to ensure that the risk mitigation plan for each function/department/power station/project site/ Sub-stations/ Division/Circles/ lines etc. is in place and is reviewed regularly.

6. RISK MANAGEMENT AND REVIEW

The Risk Management Committee is the key group which 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.

6.1 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:

A. QUARTERLY

1. The departments/ project sites/ power stations' head shall review the status of risks and treatment actions.
2. Any new or changed risks shall be identified and escalated, if deemed necessary to the Chief Risk Officer(CRO)/CEs.

B. HALF YEARLY

1. The Chief Risk Officer after identification and decide upon the key risks alongwith with their respective function Director submit the half yearly report to the Risk Management Committee.

2. The Risk Management Committee shall monitor and supervise the development and implementation of the Risk Management Policy and maintain enterprise wide view of the key risks and their mitigation measures faced by the organization.
3. The Risk Management Committee shall report the key risks and their mitigation plans to the Board on half yearly basis.

6.2 RISK REVIEW

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that 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 shall be 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.

Any monitoring and review process shall also determine whether:

1. The measures adopted resulted in what was intended.
2. The procedures adopted and information gathered for undertaking the assessment was appropriate.
3. 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.
4. Proposed actions to eliminate, reduce or manage each material risk shall be considered and agreed.
5. Responsibilities for the mitigation measures for key risks management of each risk shall be assigned to appropriate department/power station/projects/ units/zone/wings heads etc.

The head of departments/units shall review progress on the actions agreed to mitigate the risk and make an assessment of the current level of risk including:

1. Establishing whether actions have been completed or are on target for completion.
2. Report the status of implementation of mitigation plans to the Risk Management Committee.

7. OPERATION OF RISK MANAGEMENT POLICY

7. 1. Approval of the Policy

The Board shall be the approving authority for the company's overall Risk Management Policy. The Board shall, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

7.2. Review of the Policy

The risk management policy shall be reviewed as and when required but not later than 3 (Three) years based on changes in the business environment/ regulations/ standards/ best practices in the industry by an outside consultant/ organization or in-house.

7.3. Maintenance of Risk Register

Centralized Risk register with their mitigation plan shall be maintained by CRO/ Risk Cell and shall be reviewed and updated as per the policy guidelines.

Manual reporting would be undertaken by each business unit which will be upgraded to tool based reporting post enterprise risk management implementation.

APPENDICES

Appendix 1 – Appendices Reporting formats

Sr. No.	Risk Description	Impact	Likelihood	Rating	Responsibility	Risk Mitigation Measure

Appendix 2:- KEY DEFINITIONS

Risk

Risk is the effect of uncertainty on objectives. It is expressed as a combination of the probability of an event over a given period of time and its consequence. Events with a negative impact represent risks, which can prevent value creation or erode existing value.

Risk Management

Risk management is a set of coordinated activities to direct and control an organization with regard to risk. Risk management includes risk identification, risk assessment, risk mitigation, risk acceptance and risk communication.

Risk Identification

Risk identification is the process of identifying the organization's exposure to uncertainty in various risk categories..

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 Mitigation

Risk mitigation determines the way to deal with risk. Various mechanisms to mitigate 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/ treatment - 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 'Risk Register' is a document for recording the risks in a standardized format.