



## **RISK MANAGEMENT POLICY** **REMC LIMITED**

### **1. INTRODUCTION**

*REMC Ltd. (“The Company”) is a Government of India Enterprise under the Ministry of Railways and is subsidiary of RITES Limited. The Company has been formed to facilitate economy in cost of power & Energy management for Indian Railways through Open Access, by synergising the technical resource base of both the organizations i.e. Ministry of Railways & RITES Ltd. It is the Nodal Agency to facilitate and implement Indian Railways target of “Mission Net Zero Carbon Emission by 2030”.*

*The company adheres to high standards of business ethics, organizational values, and professional conduct across all its services and internal operations.*

*The Companies Act, 2013, mandate that the Board’s Report must include a statement on the development and implementation of a risk management policy for the company, and the company shall identify risks that could potentially threaten its existence. This policy is drafted in terms of the business requirements of the company and in conformity with the Companies Act, 2013. Any subsequent notification, circular, guideline or amendments under applicable Act, as may be issued from time to time shall be mutatis mutandis applicable to this policy.*

Risk is a fundamental and inherent part of any business activity. Risk Management helps management in ensuring the company’s performance and profitability targets. Risk management should be undertaken as a part of normal business practices and not as a separate task at set times. Recognizing the strategic importance of risk management, this policy aligns with and integrates with both corporate and operational objectives. This risk management policy (RMP) shall supersede and replace all other directions/rules/regulations/policies/framework etc. regarding risk management.

### **2. VISION STATEMENT**

REMC Limited is committed to manage the risks across the organization by taking effective and accountable actions as under:

- Recognizing risk is dynamic and is inherent in all external & internal operating environments.
- Addressing risks for achieving competitive advantages, safeguard assets, enable the on-going growth and success of business.
- Proactively identifying, communicating and managing critical risks across the organization by robust Risk Management Framework.

- Involving all stakeholders of the company including employees for managing risk within their area of operations.
- Integrating proven risk management practices into all operations of all units and offices of the company.

### **3. OBJECTIVES**

The objective of this policy is to ensure that significant risks are identified, evaluated and managed within acceptable risk tolerance levels and that risk management is integrated into the key business processes and decision-making. The objectives of risk management at REMC Limited are:

- Implementation of a consistent and comprehensive risk management process for meeting the business objectives of the Company;
- Encourage high standards of accountability at all levels of the organization;
- Strengthen business growth through data-driven risk analysis and enhanced decision-making frameworks;
- Deliver timely, cost-effective services that maximize profit while keeping risk in check.
- To implement global best safety practices to tackle major adverse incidents; and
- Compliance with Statutory and regulatory requirements.

### **4. SCOPE**

The Risk Management Policy is applicable to functions, departments, spheres of REMC Limited. It shall apply to all levels of the company i.e. management, business process, enabling functions, employees, contractors, business partners, or individuals directly/indirectly associated with the company. All employees of the company are required to adhere to this policy.

### **5. RISK MANAGEMENT**

Risk management Process can be defined as the identification, analysis & assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unforeseen events or to maximize the realization of opportunities. It is a systematic application of management policies, procedures and practices in implementing appropriate risk mitigations and monitoring and communicating the risks.

- Risk is a fundamental and inherent part of any business activity.
- Risk management is a continuous and evolving process, which integrates with the culture of the Company
- Risk management should be undertaken as a part of normal business practices and not as a separate task at set times.

### **6. RISK MANAGEMENT FRAMEWORK (RMF)**

The components of the risk management framework are diverse for different organisations and depend on business model, business strategies, organizational structure, organizational culture, and risk appetite. An effective risk management process entails consistent identification, prioritization, mitigation, monitoring and communication of risk issues across the organization.

RMF consists of (A) Risk Management Structure (B) Risk Management process along with Business continuity plan.

### 6.1. Risk Management Structure

Risk Management is the process of identification, analysis and acceptance or mitigation of risk & uncertainty to an organization's operations. Therefore, it is required to have a well-defined risk organization structure to achieve the objectives of the Risk Management Policy and manage the risks on a day-to-day basis. The Risk organization structure of **REMC Limited** is as follows:



#### 6.1.1. Board of Directors (BOD):

The primary Obligation of the BOD is to determine the strategic direction of REMC Limited and shall be responsible for the following:

- Approval of Risk Management Policy.
- Constitution of Risk Management Committee (RMC) comprising of senior management.
- Periodically review of Risk Management Policy as per the requirements of applicable provisions.
- Framing, approving, implementing and monitoring Risk Management Plan, as recommended by RMC.

#### 6.1.2. Risk Management Committee (RMC):

RMC is established at the *functional* level within the risk management governance framework for monitoring, reviewing and approving the Risk Management Plan.

##### Composition:

The members of the RMC shall be decided by the BOD.

The Risk Management Committee must include at least three members of the senior management. CRO shall be the permanent invitee of the RMC.

**Meeting Frequency:**

RMC meetings should be held on a regular basis or as and when required, with no more than 210 days passing between consecutive meetings.

**Quorum for RMC Meetings:**

The members of the RMC shall be nominated by the BOD of the Company. The Quorum for an RMC meeting is either two members or one-third of the committee members, whichever is higher.

**Terms of Reference for RMC:**

The RMC shall assist in effective implementation of this policy. The RMC will work closely with the Risk Management Plan Owners (RMPOs) to effectively manage the organization's risk management framework.

- To formulate and recommend a framework for identification of internal and external risks in particular including financial, operational, sectoral, sustainability (including, ESG related risks), information, cyber security risks or any other risk.
- Risk Assessment: The RMC will evaluate and assess the risk management plan as submitted by RMPOs through the risk identification and mitigation report especially "Risk that Matters".
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To periodically review the Risk Management Policy, including by considering the changing industry dynamics and evolving complexity;
- The RMC will provide suggestions for the improvement of the risk management plan of the company.
- The RMC shall ensure that the risk management plan is consistent, comprehensive, and aligned with the company's overall strategic goals.
- Measures for risk mitigation, including systems and processes for internal control of identified risks and a business continuity plan.
- The RMC shall finalise the risk management plan and submit the same to the Board of Directors (BOD) for consideration/approval and further directions, if any.
- The approved plan will be shared with the RMPOs for implementation.
- Review of Risk library.
- Review and suggest measures for any crisis situation, whether actual or anticipated, that may lead to business interruption of the company, on immediate and priority basis.

**6.1.3. Chief Risk Officer (CRO):**

CEO of the Company shall be ex-officio CRO.

CRO would be the nodal point for coordinating and managing all the risk management plans/activities as reviewed and approved by RMC/BOD. The CRO will work closely with the RMPOs to ensure smooth communication and a consistent flow of information

between them and the RMC. CRO shall be the permanent invitee of the RMC/BOD.

#### **6.1.4. Risk and Mitigation Plan Owner (RMPOs):**

The DROs (Direct Reporting Officers) of CEO shall be the ex officio RMPOs. The RMC may also designate any other or additional officer of REMC Limited as RMPO. The primary role of RMPOs is to identify the risk and to devise a mitigation plan for that risk in accordance with this policy. RMPOs will play an important role in the risk assessment and mitigation process. RMPOs shall be primarily responsible for identification, assessment, prioritization of risk and mitigation thereof and implementation of the approved risk management plan. The Senior Management shall ensure that RMPOs fulfil their obligations as mentioned in this policy within the stipulated timelines.

#### **Responsibilities:**

- **Assess & Mitigate:** Lead the identification and prioritization of risks within their function and design plans to address them.
- **Timely Delivery:** Submit risk management plan for approval according to the required schedule.
- **Implementation:** Execute approved risk mitigation plan(s) and maintain consistent progress reporting.
- **Risk Communication:** Promptly inform the CRO of any new or anticipated risks omitted from the current plan.
- **Functional Alignment:** Coordinate internal risk strategies to support overall company goals.
- **Crisis Response:** Immediately escalate any actual or anticipated business interruptions to the CRO.

### **6.2. RISK MANAGEMENT PROCESS**

Effective Risk Management requires consistent & continuous assessment, mitigation, monitoring and reporting of organisation-wide risks. As such, the Risk Management process, consisting of the following activities, needs to be carried out on once in a financial year. However, the RMPOs shall continuously assess the various associated risks as an ongoing process.

#### **6.2.1. Risk Identification:**

Risk Identification is the process of identifying & determining risks that could potentially prevent REMC Limited from achieving its objectives. Risk Identification finds, recognizes and describes risks that might help or prevent an organisation from achieving its objectives. The following indicative factors are considered in risk identification;

- Tangible and intangible source of risk, indicators of emerging risks and time-related factors,
- Causes and events
- SWOT analysis.
- Vulnerabilities and capabilities
- Changes in the external and internal context
- The nature and value of assets and resources
- Consequences and their impact on objectives

- Limitations of knowledge and reliability of information
- Biases, assumptions and beliefs of those involved

The Risks are broadly categorized into the following categories:

**Operational Risk:** These pertain to the day-to-day challenges the organization faces while working toward the achievement of its strategic objectives. These risks are related to the company's operational and administrative procedures, such as accounting controls, regulations, recruitment, lack of succession planning, IT systems, etc.

**Financial Risk:** These relate to the organization's potential loss of financial transaction information, conducted in both domestic and foreign currencies. Financial risk also encompasses **Credit Risk**, which refers to the likelihood of incurring a financial loss due to a borrower's or debtor's inability or failure to repay a loan or settle outstanding dues. It also includes Liquidity Risk, which may affect sufficient liquidity of the Company.

**Information Risk:** Information risk refers to the potential that an unauthorized user may compromise the confidentiality, integrity, or availability of data.

**Technological and Cyber security Risk:** Technological risk refers to the potential for loss, disruption, or other negative impacts arising from the adoption, implementation, or failure of technology within an organisation. Cyber risk is the potential for financial loss, operational disruption, or reputational damage resulting from threats and vulnerabilities in digital systems

**Strategic Risk:** This risk refers to potential loss caused to a business due to intense market competition, adverse/inaccurate business decisions, limited operational capacity, and an over-reliance on a single customer or vendor, which collectively pose significant strategic risks.

**Sectoral Risk:** This risk is related to shifts in consumer preferences and behaviour that are unfavourable to the sector, such as declining demand for a product, reduced brand loyalty/ reputation.

**Sustainability Risk:** The risk herein refers to the potential exposure to activities that harm the environment or adversely affect the well-being of individuals involved across the value chain, for e.g.: climate change, the spread of disease.

**Political Risk:** A risk which is suffered due to changes in the Political part or due to political instability, unfavourable policies, Policy Changes or shifts in international relations that adversely affect the company.

**Market Risk:** Market risk is the risk of losing value on financial instruments on the back of adverse price moments due to changes in equities, interest rates, credit spreads etc.

The list of the risks mentioned above is indicative only and may include any other risks based on the working of the unit, areas of operations, past experience, prevalent market conditions, inside & outside environment, business competition, company interest, foreseeable risk etc.

RMPOs shall identify and list out the risks within their respective areas of operations/functions and further carry out the risk assessment process.

### 6.2.2. Risk Assessment:

Each risk which is identified is to be assessed into two categories i.e. Likelihood and Impact.

**Likelihood:** It's based on time and the probability of an event.

**Impact:** This can be subjective and requires understanding of environmental factors to determine the impact of risk.

For both categories, a rating is to be given for each risk as under:

#### Likelihood Rating:

Rating	Description
5	Very likely. The event is expected to occur in most circumstances as there is a history of regular occurrence at REMC Limited &/or similar institutions.
4	There is a strong possibility the event will occur as there is a history of frequent occurrence at REMC Limited &/or similar institutions.
3	The event might occur at some time as there is a history of casual occurrence at REMC Limited &/or Similar Institutions.
2	Not expected, but there's a slight possibility it may occur at some time.
1	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.

#### Impact Rating:

Rating	Financial Impact	Employee (Regular), Health & Safety	Reputation & Image	Corporate Objective
5	Financial loss More than 5.0% of Revenue from operation	Fatality(ies) or permanent Disability (ies)	International Media Coverage Demand for high level inquiry	Disastrous impact
4	Financial loss in between 2.0% - 5.0% of Revenue from operation	Single death &/or long- term illness or multiple serious injuries	Adverse and extended national media Coverage	Major Impact
3	Financial loss in between 1% - 2% of Revenue from operation	Injury; Possible hospitalization & numerous days lost	Adverse national media Coverage	Significant Impact
2	Financial loss in between 0.25% - 1% of Revenue from operation	Minor injury; Medical treatment & some days lost	Adverse local media Coverage only	Minor Impact
1	Minimal financial loss; Less than 0.25% of Revenue from operation	No or only minor personal injury; First Aid needed but no days lost	Negligible Impact	Resolved in day-to-day management

The likelihood and Impact may be determined by using statistical analysis and calculations and will vary on case-to-case basis. The same risk may have different ratings for different units/deptt./areas of operations/functions. While assessing the risk, RMPOS shall apply their mind keeping the working of the unit, areas of operations/functions, past experience, prevalent market conditions, company interest, business targets, internal & external environment, risk appetite etc. in deciding the risk, its impact and likelihood.

**Determination of Risk Rating:**

Once the ratings of likelihood and impact are established, then the same will be multiplied to compute the overall risk rating as per the following formula:

Risk Rating = Risk Likelihood x Risk Impact

Once the risk rating is arrived at, the same shall be categorized as per the following:

<b>Risk rating</b>	<b>Category</b>
19- 25	Very High and Critical and will be “Risk That Matters” (RTM)
15-18	High
8-14	Medium
1-7	Low

**6.2.3. Risk Mitigation/Management plan:**

After determining the risk rating, it is imperative for the RMPOs to detail out the risk mitigation/management plan. Risk mitigation/Management involves designing and implementing activities to reduce risks to acceptable levels. It includes assessing current management processes and improving them. Based on the category of the risk RMPOs must define risk ownership, mitigation actions, responsibilities, and milestones within the Departments. The Risk Identification and Mitigation report shall be sent for approval as per the policy, and once approved, the same shall serve as the Risk Management plan of the company. Risk Mitigation/Management Plan aims to either reduce the impact or lower the likelihood of the risk event occurring.

**Steps/actions for risk management:**

The steps/actions for risk management may be decided keeping the following into consideration:

- Risks that are categorized “very high & Critical” or RTM require immediate mitigation plans or change of strategy to deal with the risk, including avoidance of the risk itself.
- Risks that are categorized “high” require change of existing controls or the introduction of new techniques for mitigation.
- Risks that are categorized “medium” require Steps to develop or enhance existing controls
- Risks that are categorized “Low”, proceed with caution.
- Mitigation of risk can also be done by eliminating the risk source itself.
- Mitigation may include avoiding the risk itself.
- Risk impact can be reduced by changing the likelihood or consequences.
- Wherever it is decided to retain the risk, informed decision may be taken and all

steps to be taken to reduce the impact.

Based on the above steps of assessment, the same shall be summarized in the following table (to be referred as Risk identification and Mitigation report) along with the steps/actions for risk management:

**Risk Identification and Mitigation report:**

Name & Designation of RMPO –  
 Details of project/office-

Risk Identified	Likelihood (L)	Impact (I)	Risk Rating (L X I)	Category	Steps/actions for risk mitigation/management/treatment with duration, if any:	Risk mitigation/management plan effectiveness

The risk mitigation/management plan effectiveness is to be categorized as per the following:

Risk mitigation/management plan effectiveness	
Effective	Where sufficient measures are in place
Reasonable/ Adequate	Where reasonable/adequate measures are in place
Needs improvement	Additional measures are required

**6.2.4. Risk Treatment:**

The risk management plan will also include Risk treatment, which selects and implements options for addressing risk. Risk treatment involves;

- Formulating and selecting risk treatment options,
- Planning and implementing risk treatment,
- Assessing the effectiveness of that treatment,
- Deciding whether the remaining risk is acceptable,
- If not acceptable, taking further treatment.

**Risk Treatment Options:**

The RMPOs shall select the most appropriate risk treatment option(s) such as;

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk,
- Taking or increasing the risk in order or pursue an opportunity,
- Removing the risk source,
- Changing the likelihood,
- Changing the consequences,

- Sharing or transferring the risk (e.g. through contracts, buying insurance),
- Retaining the risk by informed decision.

Finally, the risk identification and mitigation report will be submitted to the Risk Management (RMC) for review and further approval. The above exercise would also aid and result in preparation of the RISK Library of the Company.

After the entire process of assessment, identification, prioritisation of risk and mitigation thereof, and preparation of Risk identification and Mitigation report, the same shall be sent to approval of the RMC and concurrence of BOD and once approved, the same shall be the Risk management plan of the company.

## **7. BUSINESS CONTINUITY PLAN**

In case of crises, based on the report of RMPOs, if the RMC is of the opinion that it may affect the business operation or the operation may be interrupted, or there is an imminent danger of business continuity or interruption, an immediate meeting shall be called and measure to be suggested for the BOD in order to stop the same or resuming the business operations as quickly as possible. For the purpose, the RMC can take the assistance of any expert, either internal or external. The BOD, based on the recommendation of the RMC, shall approve and activate the business continuity plan on an immediate basis. The implementation & effectiveness of the plan shall be reviewed once in a week by the RMC and the RMC may suggest changes, if required, for the approval of BOD.

Where it is not possible or practical to convene a meeting of the Board to make decisions during a period of crisis or business interruption, the RMC shall devise a plan in consultation with CEO for implementation. All such decisions will be submitted & ratified by the Board of Directors.

### **Business Continuity Strategies:**

Concerned RMPOs shall be responsible for business continuity strategies such as:

- Develop and maintain backup systems (including data and cloud backups), alternate work locations, and manual process workarounds.
- Ensure Disaster Recovery plans for IT systems, including Tally ERP/ SAP ERP and other mission-critical platforms.
- Document recovery objectives, such as Recovery Point Objective and Recovery Time Objective, for each key function.

## **8. COMPLIANCE**

With respect to the policy, the following compliances are to be followed:

1. The Policy shall be periodically reviewed by the RMC and the reviewed policy shall be forwarded to the Board for approval of the required amendments, if any.
2. Training- The training with respect to understanding of policy and its operations shall be conducted at least once a year *by CRO*.
3. The risk identification and mitigation report shall be submitted for review once in a

financial year in the first meeting of the RMC held during the year. After due consideration, the RMC will submit the risk identification and mitigation report to the BOD for approval.

4. All the stakeholders in the risk management framework of this policy shall fulfil their obligations within the stipulated timelines.

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