

**ENTERPRISE RISK MANAGEMENT (ERM) POLICY AND PROCEDURE  
AS APPROVED BY THE BOARD OF DIRECTORS OF RASHTRIYA ISPAT NIGAM LTD  
AT ITS 245<sup>TH</sup> MEETING HELD ON 9.3.2010**

**1.0 PREAMBLE:**

Many a times Organizations fail in achieving their objectives due to obstacles in various processes related to Operational, Technical, Materials, Marketing, Financial, Personnel and some times missing the opportunities at right times. A focused approach in identifying the obstacles & managing them will help the Organizations to perform better.

**ENTERPRISE RISK MANAGEMENT (ERM)** is a Management tool to focus specially on such obstacles (**risks**) across the organization and to mitigate.

**2.0 WHAT IS A 'RISK':**

- Events with negative impact represent risks which can prevent value creation or erode existing value.
- Risk is a concept that captures the uncertainty in achieving the organization's goals / objectives.
- Risk is about something bad happening AND / OR something good not happening.
- Lost potential and / or lost opportunity.

Risk can be defined as a threat/uncertainty/obstacle that if occurs in any process/activity relating to business/operations may prevent the attainment of set goals of an organization in whole or part and have a significant impact on fulfillment of the objectives.

**3.0 WHAT IS 'ENTERPRISE RISK MANAGEMENT' (ERM):**

Enterprise Risk Management is a process to identify potential events that may effect the organization, manage risks to be within its risk appetite to provide reasonable assurance regarding achieving organizational objectives. Thus, **ERM** is a structured on going process to identify, assess, mitigate and monitor the risks within organization in achieving the objectives.

**4.0 OBJECTIVES OF ERM POLICY:**

Introduce a structured ERM initiative across the Organization to identify potential risks that may adversely affect the objectives of the Organization, plan for their

mitigation with specific responsibility. Implement such plan with a targeted date and review periodically.

## **5.0 PROCESS OF ERM IMPLEMENTATION WITH ROLES & RESPONSIBILITIES:**

### **5.1 SCHEDULE FOR ERM IMPLEMENTATION:**

An exclusive ERM team is constituted for the purpose of ERM implementation. This ERM team draws a schedule in consultation with HODs of various departments for implementation of ERM across the organization in a phased manner.

### **5.2 ORIENTATION PROGRAMME ON ERM:**

An orientation programme on ERM is conducted to all the key functionaries by the ERM team in consultation with the HODs of respective departments to bring in awareness among the executives about the importance and need for ERM implementation. HODs will identify an active officer to coordinate ERM activities from departmental side called 'Departmental Coordinator' who will also coordinate with ERM team.

### **5.3 BRAIN STORMING SESSION:**

Brain storming session will be conducted by the 'Departmental Coordinator' in consultation with the HODs of respective departments with reference to the schedule drawn. ERM team will also associate as and when HOD desires. The HOD and the key executives are to take active part in brain storming session to identify potential risks related to their processes, main objectives of the Department and the organization.

The HOD of the respective departments is called "RISK OWNER" who finally short list the potential risks of his department which need mitigation plan.

### **5.4 RISK PROFILES:**

Risk profiles are to be prepared by the concerned department in the prescribed format placed at Annexure-I. Risk profile contain vital information about the risk, contributing factors, risk treatment plan, responsibilities and target dates etc. as detailed in the annexure. The risk profile is to be signed by the RISK OWNER.

### **5.5 RISK MEMBER, RISK CHAMPION AND RISK OWNER:**

The HOD of the respective department forms a small team with the concerned personnel for each risk identified and agreed. This team is responsible to monitor the risk and act as per the risk treatment plan. The team leader is called “RISK CHAMPION” and the other personnel are called “RISK MEMBERS”. The HOD of the concerned department is the “RISK OWNER”.

If the action plan under risk treatment plan is related to more than one department, the concerned members from other departments are to be co-opted by the concerned HOD in consultation with other HODs.

### **5.6 PERIODICAL REVIEWS:**

The risks are to be monitored and treated by the said team under the guidance of risk champion/owner as scheduled in the risk profile. The risk owner will review all the risks identified and profiled on **quarterly** basis with reference to the risk treatment plan. The risk owners are required to record the minutes of such reviews and forward a copy of the same to ERM team.

### **5.7 ADDITIONS/MODIFICATIONS/DROPPING OF RISKS:**

There may be a situation to add /modify the risk treatment plan due to the changes in the anticipated risk including its intensity. Similarly, transfer of personnel may lead to modifications in risk profile w.r.to responsibility etc,. Such additions/modifications are to be carried out to the risk profile with the approval of Competent Authority (Pl. refer point 9.0 below).

In case the identified risk is totally treated and no more treatment/action is necessary, the risk can be dropped with the approval of competent authority(Pl. refer point 9.0 below).

The information w.r.to addition/modifications/dropping of a risk is to be forwarded by the risk owner to the ERM team for necessary record.

### **5.8 RISK REGISTER FOR THE DEPARTMENT:**

A Risk Register is to be maintained by the concerned department in the prescribed format placed at **Annexure-II** which contains a gist of all the risks identified by the department.

## **5.9 RISK REGISTER FOR THE COMPANY:**

A Risk Register in the prescribed format placed at Annexure-III will be maintained by the ERM team. This register contains all the risks identified for the Company.

## **5.10 MIS:**

IT Department will develop a comprehensive ERM systems package to facilitate recording and generation of required information for submission to various internal/external authorities. ERM team will provide necessary inputs for this purpose. This package will be under the control of IT Department.

## **6.0 RISK APPETITE:**

There may be risks which cannot be treated and mitigated and the organization is to live with such risks. These risks are to be categorized under “RISK APPETITE” of the organization. Such risks, if any, identified by the risk owners are to be put up to the competent authority (Please refer point 9.0 below) for categorizing them under risk appetite.

## **7.0 STEERING COMMITTEE:**

A Steering Committee is constituted consisting of Executive Directors/ General Managers as approved by the Management for successful implementation of ERM. The Steering Committee will periodically (say once in 3 months) review the implementation of ERM across the Organization. They will guide the ERM team whenever required.

## **8.0 CHIEF RISK OFFICER (CRO)**

Director (Finance) will be the “CHIEF RISK OFFICER”. He will oversee the establishment of ERM system across the organization. He will periodically inform the Audit Committee and Board of Directors about its implementation and coverage. He shall take necessary action for implementing suggestions/directions given by the Board on the implementation of ERM.

**9.0 DELEGATION OF POWERS:**

The following delegation may be considered for effective implementation of ERM.

<b>Sl. No</b>	<b>DESCRIPTION</b>	<b>DELEGATION OF POWER</b>
1	Identification of potential risks, Signing of risk profiles.	HOD of the respective Department
2	Additions/Modifications to risk profile	HOD of the respective Department
3	Dropping of identified risk with proper justification	Concerned Functional Director
4	Categorization of risks under 'Risk Appetite'	Concerned Functional Director
5	Addition /Modification /Deletion to ERM Policy and Procedure	CMD

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**Annexure -I**

**VISAKHAPATNAM STEEL PLANT  
DEPARTMENT.....  
ENTERPRISE RISK MANAGEMENT  
RISK PROFILE**

<b>Risk Reference No.</b>			
<b>Risk Category</b>			
<b>Risk Description</b>			
<b>Risk Owner</b>			
<b>Risk Champion</b>			
<b>Risk Members</b>			
<b>Date of Validation</b>			
<b>Periodicity of Review</b>	<b>Quarterly</b>		
<b>Contributing Factors:</b> • •			
<b>Overall Risk Ranking:</b>			
<b>Likelihood Rating (A)- (Scale of 1-5)</b>			
<b>Impact Rating (B) - (Scale of 1-5)</b>			
<b>Overall Risk Rating[(A)x(B)]</b>			
<b>Exposure:</b>			
<b>Financial Exposure (in the event of Risk Occurrence) ( C )</b>			
<b>Insurance(Yes/No) (D)</b>			
<b>Net Exposure (C )-(D)</b>			
<b>Existing Risk Treatment Measures: (If any)</b>			
<b>Sl.No.</b>	<b>Risk Treatment Action</b>	<b>Target Date</b>	<b>Responsibility</b>
1			
2			
3			
<b>Whether documented and communicated</b>			
<b>Whether existing controls are sufficient?</b>		<b>(Yes/ No)</b>	
<b>Proposed Risk Treatment Plan: (If any)</b>			
<b>Sl.No.</b>	<b>Risk Treatment Action</b>	<b>Target Date</b>	<b>Responsibility</b>
1			
2			
3			

**Signatures:**

**Risk Champion**

**Risk Owner**

**ENTERPRISE RISK MANAGEMENT (ERM) - MIS**

**DEPARTMENT-WISE RISK REGISTER**

DEPT. \_\_\_\_\_

Sl. No.	Risk Profile Number	Description of Risk	Date of Risk Profile approved	Risk Owner / Champion	Risk Contributing Factors	Risk Treatment Plan	Status (Exists / Dropped)
1							
2							
3							
4							
5							

<b>ENTERPRISE RISK MANAGEMENT (ERM) - MIS</b>								
<b>MAIN RISK REGISTER</b>								
<b>Sl. No.</b>	<b>Dept .</b>	<b>Risk Profile Number</b>	<b>Description of Risk</b>	<b>Date of Risk Profile approved</b>	<b>Risk Owner / Champion</b>	<b>Risk Contributing Factors</b>	<b>Risk Treatment Plan</b>	<b>Status (Exists / Dropped )</b>
1								
2								
3								
4								
5								