



Risk Management Policy

(Part I – Policy Document)

**Bengal Chemicals & Pharmaceuticals Ltd.
2015**

Prepared By
VMC Management Consulting Pvt. Ltd.



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Information listed in various parts of the framework is as per the data provided by BCPL as information only. Users should check with BCPL for full details prior to making any decisions regarding the same.

DESIGNATION

MANAGING DIRECTOR

DIRECTOR - FINANCE

DGM – MARKETING

AGM – HR & ADMIN



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1. OVERVIEW

Risk arises out of uncertainty; it is the exposure to the possibility of such things as economic or financial loss or gain, physical damage, injury or delay, as a consequence of pursuing course of action. The concept of risk has two elements, the likelihood of something happening and the consequences if it happens!

Risk can arise from internal or external sources and may include exposure to such things as economic or financial loss or gain, physical damage, failure of a project to achieve its target, consumer dissatisfaction, unfavourable publicity, and a threat to physical safety or breach of security, mismanagement, failure of equipment/plants, sub-standard product or fraud etc.

It is necessary that risk should necessarily be avoided. If managed effectively, risk(s) also allows BCPL to seize opportunities for improving products, and business growth. Risks can be categorized according to goals, objectives or outcomes in reference to the business plans of BCPL. At the highest level they represent risks to the organization in not being able to achieve the projected corporate/business plan and consequences arising thereof.

1.1 Introduction

The purpose of this Policy is to ensure that each of you is aware of BCPL's standards for risk-taking while conducting business and to provide an easy – to - access guide any time you have a question. Like every business, BCPL faces numerous risks.

These risks have the potential to disrupt achievement of BCPL's strategic and operational objectives. BCPL aims to use risk management to take better informed decisions and improve the probability of achieving its strategic and operational objectives.

1.2 Corporate Governance

BCPL is required to include in its annual financial statement a statement on internal control, including how the following broad principles of corporate governance have been applied:

- 1.2.1 The identification and management of risk should be a continuous process linked to the achievement of BCPL's objectives.
- 1.2.2 The approach to internal control should be risk based including one valuation of the likelihood and impact of risks becoming a reality.
- 1.2.3 Review procedures must cover business, operational and compliance as well as financial risk.



- 1.2.4 Risk assessment and internal control should be embedded in ongoing operational procedures.
- 1.2.5 The governing body or relevant committee should receive regular reports during the year on internal control and risk.
- 1.2.6 The principal results of risk identification, evaluation and management review of its effectiveness should be reported to, and reviewed by, the governing body.
- 1.2.7 The governing body acknowledges that it is responsible for ensuring that a sound system of control is maintained and that it has reviewed the effectiveness of the above process.
- 1.2.8 Where appropriate, set out details of actions taken or proposed, to deal with significant internal control issues.

1.3 Objective of Risk Management Policy

Every business has risk associated with it. Every decision taken has some risk involved. This is more so in Public Sector which is currently changing rapidly with more autonomy and more decision making delegated down the line. Hence there is a need to define the risks in the business, evaluate them and document their possible impact. Such evaluation of risks involved needs to be factored in while taking the decision. This policy is a formal acknowledgement of the commitment of BCPL to risk management.

The objective of the Risk Management Policy is:

- 1.3.1 To define a framework for identification, evaluation and mitigation of risk in the decision making process of the business of BCPL.
- 1.3.2 To protect BCPL from those risks of significant likelihood and consequences in the pursuit of BCPL's stated strategic goals and objectives.
- 1.3.3 To encourage pro-active rather than re-active management.
- 1.3.4 Provide assistance to and improve the quality of decision making throughout the organization.
- 1.3.5 Assist in safeguarding BCPL's assets: people, finance, property, goodwill and reputation.
- 1.3.6 To formalise and communicate a consistent approach to managing risk for all the activities of BCPL and to establish a reporting protocol.



Note: Implementation of this policy will only facilitate better management of risk not its elimination. The aim of the policy is not to have risk eliminated completely from the activities of BCPL, but rather to ensure that every effort is made by BCPL to manage risk appropriately to maximise potential opportunities and minimise the adverse effects of risk.

1.4 Policy Statement

BCPL considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Effective management of risk shall provide an essential contribution towards the achievement of BCPL's strategic and operational objectives and goals.

- 1.4.1 Risk management is an integral part of BCPL's decision making and routine management, and is incorporated within the strategic and operational planning processes at all levels across BCPL.
- 1.4.2 Risk assessments is conducted on new ventures and activities, including products, processes, systems and commercial activities to ensure that these are aligned with BCPL's objectives and goals.
- 1.4.3 Any risks or opportunities arising from these assessments are identified, analysed and reported to the appropriate management level.
- 1.4.4 BCPL maintains a strategic risk register.
- 1.4.5 BCPL is committed to ensuring that all staff is provided with adequate guidance and training on the principles of risk management and their responsibilities to implement risk management effectively.
- 1.4.6 BCPL shall regularly review and monitor the implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture across BCPL.

1.5 SCOPE / Application of Policy

Risk is an inherent aspect of all business activities. Sound risk management principles must become a part of routine management activity across BCPL.

This policy is applicable to the Corporate Office, Factories and Depots of BCPL. It shall also apply to any other entities that may be under the control of the management of BCPL.

1.6 Approach

BCPL's approach to risk management follows several key principles:



- 1.6.1 The Risk Management process is as user friendly as possible and adds value. For this reason considerable effort has been put into keeping the process as simple as possible.
- 1.6.2 BCPL seeks to embed risk management across all verticals but its immediate aim is to ensure that it is embedded in BCPL's higher management group and all key executives.
- 1.6.3 The aim is to marry top down and bottom up assessments to produce a comprehensive picture of risk across all activities of BCPL.
- 1.6.4 A key focus of the risk management process is the concentration on control improvements to mitigate significant risks, however there is a need to balance the cost and the effectiveness of the controls; for example where marginal improvements in control require substantial costs, the proposal may be unviable.
- 1.6.5 Upward reporting of risk ensures that significant risks are reported and closely monitored on a regular basis at the appropriate level.

1.7 Definitions

1.7.1 Risk

Risk is the chance of an event occurring which will have an impact on the achievements of BCPL's objectives and adversely impact its performance. Risk is measured in terms of consequences and likelihood.

Risk exists as a consequence of uncertainty and is present in all activities whatever the size or complexity and whatever industry or business sector. It is important to understand that risk is a broader concept than the traditional view of merely a threat. It also recognises the risks of taking or not taking opportunities.

1.7.2 Risk Includes

It includes Threats (damaging events) which could lead to failure to achieve objectives. Opportunities (challenges) which if exploited could offer an improved way of achieving the desired objectives but which could potentially have negative impacts. BCPL considers all types of risk it faces, strategic, operational, financial, reputational, and regulatory and compliance risks. Clause 2.2 gives a list of the different categories of risks.

1.7.3 Risk Assessment

This comprises of the overall process of risk analysis and risk evaluation. It comprises of identification of risks, analysis of risks, assessment & evaluation of risk.



1.7.4 Risk Management

This refers to the processes, structures and the change in culture that is to be affected in order to carry out effective management of potential opportunities and minimizing of adverse impacts within the environment of the organization.

1.7.5 Risk Management Process

This pertains to the systematic application of management policies, procedures, and practices to the task of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.



Risk Management Policy

(Part II – Framework)

Bengal Chemicals & Pharmaceuticals Ltd.

2015

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List of Personnel Involved

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4	TAPAN CHAKRABORTY	AGM – HR & ADMIN



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1. TYPES OF RISKS AND ITS MANAGEMENT

1.1 What is Risk Management

Risk Management is the systematic application of management policies, procedures and practices to the task of identifying, analysing, assessing and monitoring risk.

While it is true that there is no such thing as risk free management or risk free decisions, there may be many risks that can be avoided, reduced or eliminated through good risk management. It may be mentioned that good risk management also takes advantage of opportunities while analysing and dealing with risks.

Risk Management is an explicit tool for business management through which management can identify, evaluate and manage both risk and opportunities. It is a logical and systematic process and should be integrated into the decision making process.

Good risk management is forward looking and helps improve decisions. It is not only about avoiding or minimizing risks but also about seizing opportunities. It is a powerful tool for public sector managers to take well thought out, logical decisions with the risk aspects well documented.





1.2 Types of Risks

Risks can be categorized into following areas:

1.2.1 Strategic Risks

These risks relate to the risks to BCPL's direction, external environment and risks to the achievements of its plans. Such risks would relate to an assessment of the impact of external environment such as:

- Impact of changes in government policies on the business environment related to BCPL.
- Political risk which may arise due to change of state or central governments in India.
- Environment risks that may arise out of changes in environment or some new rules being introduced that may have an adverse impact on the business.
- Impact of increase / decrease of competition on the decisions of BCPL.
- Impact of introduction of new technologies and new dynamic developments in delivery of products/contract.

1.2.2 Commercial Risks

These risks relate to the risks to Commercial activities which impact the business of BCPL. These could be financial or contractual in nature such as:

- Currency exchange fluctuation risk could be a substantial risk if BCPL has large exposure to overseas contracts.
- Inflation risk affects many contracts as the costs may escalate beyond our estimates and adversely impact the profitability of a contract.
- Liquidity risk, such as delays in payments or over expenditure in a contract, which may affect the working capital requirements.
- Credit risk needs to be considered if BCPL is financing any of the activities of its associates or others where there is a possibility of a default.
- Risk of a failure of a contractual relationship, where an associate may fail to perform thereby adversely affecting the performance of BCPL.

1.2.3 Business Risks

These risks arise while BCPL is putting in efforts to source business. These risks would include:

- Impact of competitive environment with the advent of large number of MNCs, Domestic Players & other PSUs.
- Impact of Pre-Qualification (PQ) criteria as defined in several tenders as a practice. Lack of credential & Turnover to meet such criteria.
- Reducing domestic market and demand for catalyst business.
- Lack of diversified business areas.
- Lack of presence in international market (Own/Joint Ventures)



1.2.4 Operational Risks

These risks arise while performing the core business of BCPL. These risks would include:

- Risks in carrying out operations and production due to inadequate or inexperienced human resources / inadequate infrastructure.
- Market risks that may arise due to changes in market place, the demand supply, new trends which may impact the production.
- Risk of physical damage to assets or threats to physical safety.
- Risks of delay due to delays by vendors in supplying goods / equipments / technical know-how.
- Risks of delay due to delays by vendors executing various contracts on behalf of BCPL.
- Risk of cost escalations or cost over runs.

1.2.5 Technical Risks

These risks would include:

- Risk of failure of equipment or risk in management of assets.
- Risk of some obsolete technologies currently being used by BCPL which may have an adverse impact on its business prospects or efficiencies.

1.2.6 Financial or Systems Risks

Financial or Systems risks would include:

- Risks associated with financial controls.
- Risk of failure of system such as frauds.

1.2.7 Compliance Risks

These risks would include:

- Environment risk while executing certain projects and the risks of delay that may be introduced if environmental clearance is delayed.
- Any other risks due to the need to meet regulatory requirements e.g. obtaining completion certificates etc.

1.3 Process of Risk Management

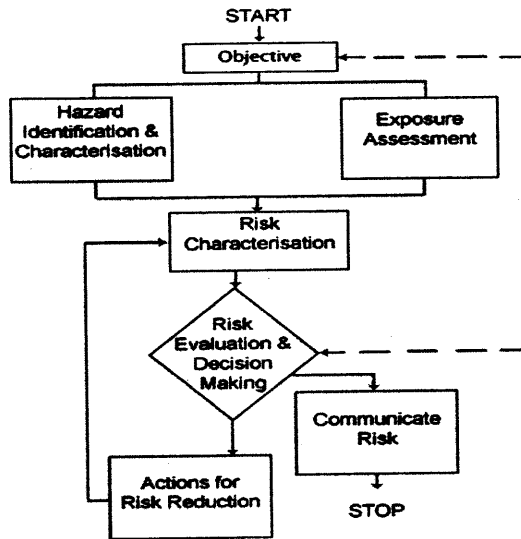
1.3.1 Identification of Risk

The first step in the management of risk is to identify the potential risks. Risks are about events which when triggered cause problems. Hence, risk identification can start with the source of problems or with the problem itself.

- Source Analysis: These may be internal or external to the system e.g. internal could be the employees of BCPL and external could be the stakeholders.



- **Problem Analysis:** These are the risks related to identified threats e.g. threat of losing money or threat of accident etc. The threat may exist with various entities such as customers, legislative bodies etc.



1.3.2 Methods of Risk Identification

- **Objective based Risk Identification:** This involves identifying events which may endanger achieving an objective either partly or completely.
- **Scenario based Risk Identification:** Any event that may trigger off undesired scenarios is identified as a risk.
- **Taxonomy based Risk Identification:** Based on Taxonomy (breakdown of possible risk sources) and identification of best practices a questionnaire is compiled whose answers reveal risks.
- **Common Risk Checking:** In several industries lists with known risks are available. The check list can be used to assess the risk in a particular situation.
- **Risk Mapping:** This is a combination of the above methods. A matrix is created under which the impact/consequences of different risks on various factors are charted.



A Risk Identification matrix is given in Table 1

Table – 1: Risk Management Identification

AREAS OF IMPACT									
ASSETS	Revenue	Cost	People	Community	Performance	Timing	Environment	Intangibles	ORG
Commercial & Legal									
Economic									
Human Resource									
Natural Events									
Political									
Technology									
Management Activity & Control									
Individual Activity									



1.3.3 Assessment of Severity of Risk

Once a risk has been identified, it has to be assessed based on:

- The potential severity of loss (Impact)
- The probability of its occurrence (likelihood)

Once these two factors have been identified and rated, the overall severity of risk can be determined on a scale. While the severity of loss may be easy to measure and quantify, the probability of occurrence may require educated guesses. However, determining the probability of occurrence is necessary to properly prioritize the implementation of risk management plan.

Since statistical information on probability of occurrence of past incidents is rarely available, hence the probability may have to be determined using experience and judgement of the risk assessing officer.

The Table – 2 below gives the rating of “Severity of Loss” (Impact) on 5 Point Scale and Table – 3 gives the probability of “Occurrence” (Likelihood) also on a 5 Point Scale.

Table – 2: Quantitative Data and Risk Expressions to Measure “Impact”

Level	Descriptor	Example Detail Description
1	Insignificant	Low financial loss, no disruption to capability, no impact on community standing
2	Minor	Medium financial loss, minor disruption to capability, minor impact on community standing
3	Moderate	High financial loss, some ongoing disruption to capability, modest impact on community standing
4	Major	Major financial loss, ongoing disruption to capability, major impact on community standing
5	Catastrophic	Mission critical financial loss, permanent disruption to capability and ruinous impact on community standing



Table – 3: Quantitative Data and Risk Expressions to Measure “Likelihood”

Level	Descriptor	Example Detail Description
1	Rare	May occur only in exceptional circumstances
2	Unlikely	Could occur at some time
3	Possible	Might occur at some time
4	Likely	Will probably occur in most circumstances
5	Almost Certain	Is expected to occur in most circumstances

The Severity of Risk can then be determined using the formula:

Potential severity of loss (Impact) * Probability of occurrence (likelihood) = Risk

The severity of risk can then be assessed as follows:

25 Points =E: Extreme Risk, Immediate action required at highest level (MD/Board Members)

20 Points =H: High Risk, Attention of Senior Management & Board Members

15 Points =M: Moderate Risk, Action by Departmental Head / Strategic Business Unit Heads

10 Points and below = L: Low Risk, Manage with routine procedures



1.4 Risk Categories

Before we can plan for management of risk, we need to identify different types of risks faced by the entity and the severity of those risks. Proper identification of risks in an enterprise is itself a major task, as it is those risks on which the organization will focus.

As the risk environment is so varied and complex, it is useful to group potential events in to risk categories. By aggregating events horizontally across an organization and vertically within operational units, management develops an understanding of the inter-relationship between events, gaining enhanced information as a basis for risk assessment.

The main categories to group individual risk exposures are as follows:

Table – 4: Risk Types

Human Resources	<p>Risks that relate to human resources of BCPL. These risks can have an effect on BCPL's human capital with regard to:</p> <ul style="list-style-type: none"> • Integrity and Honesty; • Recruitment; • Skills and Competence; • Employee Wellness • Employee Relations; • Retention; and • Occupational Health & Safety
Knowledge and Information Management	<p>Risks relating to BCPL's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management;</p> <ul style="list-style-type: none"> • Availability of information; • Stability of the information; • Integrity of information data; • Relevance of the information; • Retention and Safeguarding. • Mapping & Traceability of Documents.
Litigation	<p>Risks that BCPL might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from:</p> <ul style="list-style-type: none"> • Claims by employees, the public, service providers and other party.



	<ul style="list-style-type: none"> • Failure by BCPL to exercise certain rights those are to its advantage.
Loss / theft of assets	Risks that BCPL might suffer losses due to either theft or loss of an asset of BCPL.
Material Resources (Procurement Risk)	<p>Risks relating to BCPL's material resources. Possible aspects to consider include:</p> <ul style="list-style-type: none"> • Availability of material; • Costs and means of acquiring / procuring resources; and • The wastage of material resources.
Product/Service Delivery	Every organization exists to provide value for its stakeholders. The risk will arise if the appropriate quality of product or service is not delivered to the stakeholders.
Information Technology	<p>The risks relating specifically to BCPL's IT objectives, infrastructure requirements, etc. Possible considerations could include the following when identifying applicable risks:</p> <ul style="list-style-type: none"> • Technology / IT Infrastructure availability (uptime); • Effectiveness of technology / Obsolescence of technology; • Applicability of latest IT infrastructure; • Integration / Interface of the systems; • Disaster Recovery System.
Third Party Performance	<p>Risks related to BCPL's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with BCPL. Non performance could include:</p> <ul style="list-style-type: none"> • Outright failure to perform; • Not rendering the required service in time; • Not rendering the correct service; and • Inadequate / poor quality of raw material/performance.
Health and Safety	Risks from occupational health and



	safety issues e.g. injury on duty; outbreak of disease within BCPL.
Disaster Recovery / Business Continuity	Risks related to BCPL's preparedness or absence thereto to disasters that could impact the normal functioning of BCPL e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and product delivery and could include the possible disruptions at the onset of a crisis to the resumption of critical activities. Factors to consider include: Disaster management procedures; and Contingency planning.
Compliance / Regulatory	Risks related to the compliance requirements that BCPL has to meet. Aspects to consider in this regard are: <ul style="list-style-type: none"> • Failure to monitor or enforce compliance; • Monitoring and enforcement mechanisms; • Consequences of non compliance; and Fines and penalties paid.
Fraud and Corruption	These risks relate to illegal or improper acts by employees resulting in a loss of BCPL's assets or resources.
Financial	Risks encompassing the entire scope of general financial management. Potential factors to consider include: Cash flow adequacy and management thereof; <ul style="list-style-type: none"> • Financial losses; • Wasteful expenditure; • Budget allocations; • Financial statement integrity; • Revenue collection; and • Increasing operational expenditure.
Cultural	Risks relating to BCPL's overall culture and control environment. The various factors related to organizational culture include: <ul style="list-style-type: none"> • Communication channels and the effectiveness; • Cultural integration; • Entrenchment of ethics and values; • Goal alignment; and • Management style.



Reputation	Factors that could result in the tarnishing of BCPL's reputation, public perception and image.
Economic Environment	Risks related to BCPL's economic environment. Factors to consider include: <ul style="list-style-type: none"> • Inflation; • Interest rates. • Foreign exchange fluctuations; and
Political Environment	Risks emanating from political factors and decisions that have an impact on BCPL's mandate and operations. Possible factors to consider include: <ul style="list-style-type: none"> • Political unrest; • Local, Provincial and National elections; and • Changes in office bearers.
Social Environment	Risks related to BCPL's social environment. Possible factors to consider include: <ul style="list-style-type: none"> • Unemployment; and • Migration of workers.
Natural Environment	Risks relating to BCPL's natural environments and its impact on normal operations. Consider factors such as: <ul style="list-style-type: none"> • Depletion of natural resources; • Environmental degradation; • Spillage; and • Pollution.
Technological Environment	Risks emanating from the effects of advancements and changes in the technology.

1.5 Assessment of Risk & It's Treatment Plan

Once the different types of risk in BCPL, have been enumerated using the different categories of risks as enumerated above, it is recommended that a risk register be prepared, wherein the different types of risks are elaborated, their consequence is identified, and together with consequence rating and likely rating on a five point scale as outlined earlier, to arrive at the severity of risk.

1.5.1 Treatment of Risk

Once risks have been identified and assessed, the four major methods of treatment



of risk are:

- ✓ Avoidance of risk (eliminate)
- ✓ Reduction of the risk (mitigate)
- ✓ Transfer the risk (outsource or insure)
- ✓ Retain the risk (budget the risk)

1.5.1.1 Avoidance of Risk: This means not performing an activity which carries the risk e.g. not buying of a business, or not buying of a property or not bidding for a contract with unfavourable conditions etc.

1.5.1.2 Reduction of Risk: This involves reducing of severity of loss or likelihood of loss. Thus building secure networks is a method of reduction of risk of leakage of data. Similarly in the development of new product, having well defined check points reduces the risk of big loss due to failure in development etc.

1.5.1.3 Transfer of Risk: Outsourcing is a method of reduction of risk, if the outsourcer has higher capability of managing the risk e.g. a specialist in a particular area may have a lower risk of failure. This strategy is often used by sticking to core competence only. Purchase of an insurance contract is a method of transfer of risk.

1.5.1.4 Retention of Risk: Once a risk is accepted, it is equivalent of self insurance and its cost should be built into the budget. Risks that are not avoided are retained by default. However, large risks have to be managed and assessed. Greater the risk, greater should be the plan for its mitigation. Thus, the risk of failure of a merger is mitigated by having a meticulous merger plan and reviews at appropriate levels.

1.5.2 Actions to Control or Reduce Likelihood of Risk

Granted that risk is inherent in the process of business of BCPL, the risk can be reduced or controlled by taking some of the following actions:

- 1.5.2.1 Undertaking risk review and compliance programs.
- 1.5.2.2 Prepare contract conditions which will control or reduce the risk e.g. insurance of contract employees against accidents.
- 1.5.2.3 Formal reviews of requirement, specifications, design, operations, production and sales
- 1.5.2.4 Provision for inspection and control of process/building conditions.
- 1.5.2.5 Investment and portfolio management with a view to control risks.
- 1.5.2.6 Project Management e.g. to reduce risks of time and cost over runs
- 1.5.2.7 Preventive maintenance to reduce risk of breakdowns
- 1.5.2.8 Quality standards, quality assurance and quality management
- 1.5.2.9 Structured training to sensitize on risk and risk management
- 1.5.2.10 Proper supervision and testing of materials



1.5.2.11 Putting in place proper governance processes

1.5.3 Procedures to reduce or Control Consequences

Since risk is inherent in the business of BCPL, we need to look at various procedures to reduce or control the consequences of risk. Some of these are as follows:

- 1.5.3.1 Contingency planning to control the consequences
- 1.5.3.2 Contractual arrangements to limit the risk
- 1.5.3.3 Design features to reduce the risks e.g. safety factors or standby equipment.
- 1.5.3.4 Disaster management plan in the event of a disaster
- 1.5.3.5 Fraud control planning
- 1.5.3.6 Pricing policy and controls
- 1.5.3.7 Succession planning
- 1.5.3.8 Insurance
- 1.5.3.9 Public Relations
- 1.5.3.10 Minimizing exposure to source of risk



2. RISK MANAGEMENT PLAN

To put a risk management plan in action, we need two actions:

- a) To conduct a risk assessment exercise, through which the various types of risks are identified, documented and the plan of risk management articulated.
- b) To put a management structure in place that shall be responsible to implement the risk management plan and to coordinate the corrective action in the event of a risk materializing.

2.1 Assessment of Risk and its Treatment Plan

Once the different types of risk in BCPL have been enumerated, using the different categories of risks as enumerated above, it is recommended that a risk register be prepared, wherein the risks are elaborated, their consequence is identified, and together with consequence rating and likelihood rating on a five point scale as outlined earlier, to arrive at the severity of risk.

2.1.1 Development of a Risk Register

To begin with, we need to identify and document the different types of risks, impact of risks, consequences, likelihood etc.

The risk assessment document is to be reviewed and accepted by the SBU Head and the Manager who is accountable for the activity.

For each risk that is identified, a risk register record shall be created. This shall comprise of the following information:

- Source of risk i.e. what is the area and cause of the risk.
- Nature of risk i.e. whether the risk is financial, safety, health, environment risk etc.
- The existing controls that are applied to mitigate or reduce the risk.
- Consequences and likelihood of the risk.
- Initial risk rating
- Vulnerability of the risk to external or internal factors.

Further, over time the nature and severity of risk may also change and hence it is advisable that the Risk Register be reviewed periodically, at least once every year. The suggested format of risk register is given below:



Table – 5: Risk Register

Date of Risk Review: _____

Function/Activity: _____

Completed By: _____

Date: _____

Reviewed By: _____

Date: _____

Ref	The Risk: What can Happen and How it can Happen	The Consequences of an Event Happening		Adequacy of Existing Controls	Consequence Rating	Likelihood Rating	Level of Risk	Risk Priority
		Consequences	Likelihood					

2.2 Risk Treatment Schedule & Plan

Based on Risk Register to be created, a risk treatment schedule is to be prepared and a ‘Risk Action Plan’ is to be finalized which lays down the risk treatment plan in order of risk priority as outlined in the Risk Register. Procedures & methods of mitigation of risk are based on guidelines given above.

This document outlines the action plan and the management controls to mitigate the risks. It will indicate the following:

- Who is responsible for the implementation of the risk treatment plan?
- What resources are to be used?
- What is the budget allocation?
- What is the implementation time table?
- Details of the control mechanisms
- The frequency of review of compliance with the treatment plan

The table below gives the Risk Treatment Schedule and the Risk Action Plan. These are essential part of the identification, treatment and management of risk.

2.2.1 Risk Treatment Schedule and Plan

The format of the Risk Treatment Schedule and Plan is given below in Table – 6



below:

Table – 6: Risk Treatment Schedule and Plan

Date of Risk Review: _____

Function/Activity: _____

Completed By: _____

Date: _____

Reviewed By: _____

Date: _____

The Risk In Priority Order Form Risk Register	Possible Treatment Options	Preferred Options					

2.2.2 Risk Action Plan

A risk action plan needs to be prepared for each of the risk that is identified, clearly outlining the proposed actions, resources required, person responsible and the time by which it is to be completed. This is given in table 7 below:

Table – 7: Risk Action Plan

Item Risk	Summary Action Plan	Recommended Response and Impact
1	Proposed Actions	
2	Resource Requirements	
3	Responsibilities	



4	Timing	
---	--------	--

2.3 Risk Treatment within Organization

- In order that the risk management gets the priority it deserves, the policy needs to be driven and implemented from the Board Level, with one of the directors being made in – charge. The Director in – charge of ‘Internal Audit’ could also be made in – charge of Risk Management.
- A high level responsibility for Risk Management shall provide the resources and authority to mitigate risks effectively. Risk Management is not just a technical or financial issue but is an organizational management issue.
- A Chief Risk Officer (CRO) needs to be appointed (below Board Level), who shall be responsible for co-ordinating the development and maintenance of risk management policies, procedures, standards and forms for the carried out.
- The CRO shall ensure that the risk assessment process is performed at least once annually and an update should be carried out.
- The CRO shall ensure that the departmental heads are aware and in agreement with the risk assessment and risk management plan and that they are aware of the risks of failure.
- The CRO shall report to the Board members on the key risk areas every year and also outline the mitigation measures undertaken.



3. EVALUATION OF RISK MANAGEMENT POLICY

In order to make sure that all elements of the Risk Management Policy are in place, it is suggested that the check lists below be used to evaluate and improve their risk management frameworks and strategies. The check list identifies elements of good practices which if applied would ensure that the risk management framework is appropriate, effectively implemented, and integrated with the government policies and structures.

3.1 Appropriate Risk Management Strategies:

Since a Public Sector Organization would have deliberated and prepared an appropriate risk management strategy and risk management processes commensurate with the nature, frequency and magnitude of risk, it shall be useful to use the below mentioned check list to ensure that the risk management strategies are in place. In case some of them are not fully in place, the check list would also indicate an action plan and a target date for completion.

Table – 8: Appropriate Risk Management Strategies

<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
Does your organization:			
Have an explicit, stated risk management policy?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Have an organization – wide strategy, plan or program that is coordinated at a central or corporate level?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Assign organizational risk management responsibility clearly? That is, has a specific structure defining responsibilities, accountabilities and measures for risk management?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Have a formal process (with defined stands and criteria) for identifying and analysing risks?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Identify and assess the main	Yes <input type="checkbox"/>		



<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
risks relating to each of its declared goals objectives and planned outcomes?	In Part <input type="checkbox"/> No <input type="checkbox"/>		
Link risk assessments to government policy, organizational goals, and stakeholders?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Apply risk management to the whole of its business operations, products and sales?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Develop separate, formally documented risk treatment plans that describe the nature of current risk controls?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Have formal documented contingency plans for disaster recovery and business continuity?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		

3.2 Effective Implementation of Risk Management:

For an organization to understand as to whether it is implementing the risk management strategies effectively, it needs to ensure that:

- It understands the risks thoroughly.
- It applies the proposed risk management strategies and processes to the intended functions and activities.
- It is able to confirm by reviews that its risk management strategies are providing the desired values and outcomes.

The check list below identifies the ‘Good practices’ for effective implementation of risk management. By carrying out such a review, those practices which need to be still implemented are identified and an Action Plan and a Target implementation date are determined for review, thereby ensuring that good management practices have been out in place.



Table – 9: Effective Implementation of Risk Management

<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
Does your organization:	-----		
Have a risk management coordinated committee or unit?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Formally review its risk management strategy at least annually?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Ensure that all risk management actions directed by the executive and Board are formally reported back to them to confirm their progress or completion?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Have methods to identify and evaluate risk controls according to their effectiveness, cost, cost – benefit and compliance requirements?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Regularly review and test risk controls and contingency plans?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Ensure that other organizations it works with (like contractors, vendors and service providers) have suitable risk management practices that meet your standards?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Formally document, report and address non-compliances, hazards, incidents, accidents, losses and claims?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Formally communicate its risk management strategy with stakeholders to assess understanding and commitment?	Yes <input type="checkbox"/> In Part <input type="checkbox"/> No <input type="checkbox"/>		
Provide at least annually risk management training to staff that is tailored to the needs of the	Yes <input type="checkbox"/> In Part <input type="checkbox"/>		



<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
organization?	No <input type="checkbox"/>		
Measure and monitor improvements to business processes as a result of its risk management strategies (e.g. reduction in cost of operations, number of incidents etc)	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		

3.3 Integration of Risk Management into Governance Processes

For effective risk management in BCPL, it is necessary that the risk management is integrated into its governance process. Such action shall ensure:

- That BCPL shall apply risk management as clear part of its strategic and business planning considerations at all critical levels of the organization.
- It shall incorporate indicators of risk and risk management into its governance and management structures.
- That its Board and/or executive management are properly informed of the exposure of the organization to risk.
- The Board is directly involved in setting and reviewing the organization’s risk management strategies.
- That the Board allocates sufficient and suitable resources to risk management, taking into account the nature and level of identified risk.

The check list is useful for assessing if the risk management practices are integrated into the governance structure and strategic management processes.

Table – 10: Risk Management Integrated into Governance Structures & Strategic Management Processes

<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
Does your organization:	-----		
Ensure that executive management directly lead and strategically manage the organization’s risk management processes	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Involve executive management in the identification and assessment of the	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		



<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
organization risks?	No <input type="checkbox"/>		
Ensure that executive management confirm that the organization's risk management framework and strategies match the key risks of the organization?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Formally report risks and risk management actions with sufficient detail to the executive and Board to ensure these are properly understood?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Explicitly incorporate key performance indicators of risk and risk management into its governance and management processes?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Has its audit committee oversight its risk management?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Allocate adequate resources for ongoing implementation of risk management policies, plans and procedures?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		

3.4 Alignment with State Sector Risk Structures

Since it is possible that the risks taken by the Public Sector Organizations may also impact on the Government, it is important that BCPL understands the risks that impact on the Government. The impact on the Government or on other Public Sector Organizations can become significant as joined-up government services and policies are implemented. Consequently, the identification and management of state sector risks between organizations requires greater attention.

The check list below identifies those good practices which ensure that the State Sector Risk Structures & Processes are in place.



Table – 11: State Sector Risk Structures and Processes

<u>Good Practice</u>	<u>Good Practice Management</u>	<u>Action Plan</u>	<u>Target Date</u>
Does your organization:	-----		
Have risk management structures and processes that assist in the:	Yes <input type="checkbox"/>		
<ul style="list-style-type: none"> • Identification • Management and • Reporting 	In Part <input type="checkbox"/>		
of key risks that should properly be drawn to the attention of the Government	No <input type="checkbox"/>		
Ensure that there is a common understanding among the organizations within a portfolio of relevant state sector risks?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Regularly share information with the department and other portfolio organizations on the identification and treatment of existing/emerging inter-organizational risks?	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		
Include all the organizations that fall within a portfolio within its risk management strategy? (departments only)	Yes <input type="checkbox"/>		
	In Part <input type="checkbox"/>		
	No <input type="checkbox"/>		



4. KEY IMPLEMENTATION AREAS FOR RISK MITIGATION

The following are the key areas where risk mitigation measures need to be implemented:

4.1 Strengthening of Internal Processes

4.1.1 Strengthening, Process Benchmarking and Re-engineering for key Business Processes:

Two key business processes to be focused on –

- Survey and Assessment Process

It's a way of asking involved group of employees what they see as the most important needs of that group. The results of the survey then guide future action. Generally, the needs that are rated most important are the ones that get addressed.

Depending on resources (time, money, and people) a needs assessment survey may take many different forms. It varies from being an informal method by just asking around with people or, it could take the form of a professionally-written survey that is mailed to all concerned employees

- Contract Management Process

Contract management or contract administration is the management of contracts made with customers, vendors, partners, or employees. The personnel involved in Contract Administration are required to negotiate, support and manage effective contracts as expensive to train and retain. Contract management includes negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions, as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk.

BCPL needs to strengthen these processes through detailed analysis and should conduct a benchmarking exercise for its key business processes. The complete processes should be studied and analysed to make the system more robust and free from any error which may be potential causes of risks. The exercise should also aim to derive standards for each activity and if required re-jig processes to plug loop holes which may be causes of potential risks.

4.1.2 Knowledge Management System (KMS)

KMS should be built to capture the learning of the organization. The KMS will provide benefits for future projects in terms of handling similar risks in other projects, providing better estimates of time and cost for specific activities, estimating occurrences of uncertain events and in capturing the tacit knowledge and experience of BCPL's human resource.



4.1.3 Outcome-linked Performance Management System (PMS)

It is very important that BCPL links performance targets of individuals and functions/departments with the expected outcomes so as to bring in more responsibility, accountability and drive into the personnel engaged in critical activities. Implementation of an outcome-linked PMS along with process benchmarking would clearly bring out the areas due to which overall performance of the organization is slipping.

4.1.4 Integrated Project Monitoring System

A seamless integrated Project Monitoring System is required for quick response and prompt decision making as well as to bring to attention the areas of short-fall and for tracking delays.

4.2 Contractor Management

4.2.1 Comprehensive Contracting Strategy

BCPL needs to draw out a clear Contracting Policy to outline guidelines addressing key contract management issues including incentives and penalties related with timely completion of contracted work, handling of unforeseen uncertainties, criteria for allowing contractors to bid etc. This policy should device preventive measures to avoid all contractor related issues.

4.2.2 Vendor Rating and Information System (VRIS)

The VRIS will contain the information about all vendors / contractor as well as limited information about contractors working for competitors. A vendor rating will be generated through this system based on the credentials of the vendor as well as past performance on critical parameters like time and cost overruns. This system will also capture learning from contracting issues and help in making more robust contracts.

4.2.3 Dispute Resolution Mechanism

A dispute resolution mechanism for early and prompt settlement of contractors' disputes needs to be operationalized for all projects/jobs/works.

4.3 Preparation for Competition:

4.3.1 Team for tracking competition

BCPL needs to form a team which will focus on competitive biddings in the market and tracking of all bidding details for various players. The team will also search and build up a database of leading players in BCPL's area of operations which can be partnered with to participate in competitive bidding. A database of most competitive vendors should also be constantly maintained and evaluated. In addition, the team will work on establishing and maintaining benchmarks of various costs components.



4.3.2 Detailed cost estimation

The needs to capture costs incurred in current projects/jobs in a manner so as to enable BCPL to prepare for competitive bids using accurate estimates of various cost components. E.g. employee costs specific to projects/jobs/assignments, etc.

4.4 Pro-active CSR Activities

4.4.1 Allocation of budget for other than Project-related CSR activities

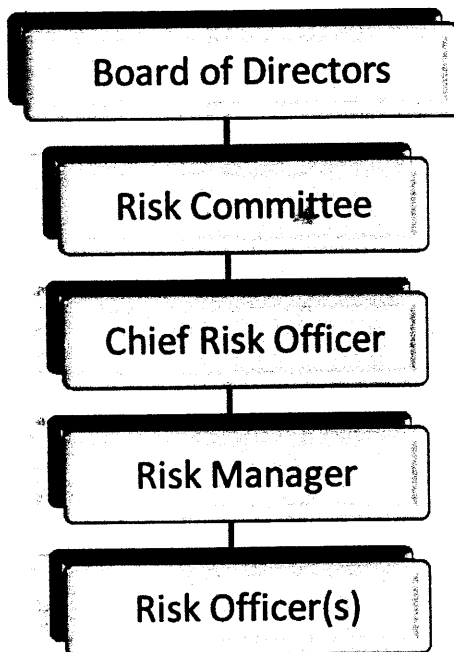
BCPL needs to budget for a separate fund for proactive CSR activities in key States of importance. The activities have to be focused on building a healthy brand image of the organization with the Government and the inhabitants of the State.



5. RISK ORGANISATION STRUCTURE AT BCPL

The Risk Management Policy will be implemented through the establishment of a Risk Organisation Structure. At the core, a Risk Cell comprising of the Chief Risk Officer (CRO) has to be formed. The Risk Manager (RM) and Risk Officer(s) (RO) will be line functionaries, with cross-functional job descriptions – they will perform individual line duties, and also report to the Risk Cell. The RMs and ROs will therefore hold additional responsibilities for risk reporting beyond their line duties.

The overall monitoring of the Risk Cell will be done by the Director (Finance). The Board will review the status and progress of the risks and risk management system on a regular basis through the Audit Committee. All personnel forming a part of the Risk Organisation Structure have to be trained on the company's risk management system.



(Risk Management Org Chart)

5.1 Roles and Responsibilities

The Board will review the risk management policies and system periodically

- The Managing Director will be responsible for ensuring that the risk management system is established, implemented and maintained in accordance with this policy.
- Assignment of responsibilities in relation to risk management will be the prerogative of the Chief Risk Officer.
- The Risk Manager(s) will report to the Chief Risk Officer for the implementation



of this Policy within their respective areas of responsibility.

- Risk Manager(s) will also be accountable to the Chief Risk Officer for identification, assessment, aggregation, reporting and monitoring of the risk related to their respective areas
- Risk Officer(s) will be responsible for identification, preliminary assessment, reporting and monitoring the risks related to their individual offices / factories / units.



6. RISK MANAGEMENT INFORMATION SYSTEM (MIS)

An enterprise-wide integrated Risk Management Information System (MIS) needs to be implemented by BCPL. Currently risks are not captured even after the project/job completion. There is no prevalent mechanism to document the risks faced during the project life cycle such as various delays happened on the project and the key reasons for the same, etc.

However, such information is needed at all levels of the organization to identify, assess and respond to future occurrences of risk events. Pertinent information from both internal and external sources must be captured and shared in a form and timeframe that equips personnel to react quickly and efficiently. Effective communication would also involve the exchange of relevant data with external parties, such as customers, vendors, regulators etc. Further, both historical and current data needs to be collected. Historical data tracks actual performance against target, identifies trends, correlate results and forecasts performance. Historical data also provides early warning signals concerning potential risk-related events. Current data gives management a real time view of risks inherent in a process, function or unit. This will enable BCPL to alter its activities as needed in keeping with its risk appetite.

BCPL needs to start preparing 'Risk Registers' as an immediate measure. The Risk Registers will be maintained at the Risk Manager(s) level for capturing comprehensively all risks in all functional and business areas of the organization. Each risk will be identified, categorized and assessed using the methodology as specified in sections of the policy above.

The Risk Manager(s) would have access to Risk Registers of the Risk Officer (s) under the span of control and would be responsible for monitoring them. Chief Risk Officer would in turn monitor all risks at the Risk Manager(s) level. The 'Risk Register' should contain the following information:

- Description of the risk
- The impact, should the event actually occur
- A summary of the planned response, should the event occur
- A summary of the mitigation plan (i.e. the actions taken in advance to reduce the probability and/or impact of the event)
- The responsible function / person



7. ACTIVITY DETAILS FOR MAINTENANCE OF THE RISK MANAGEMENT SYSTEM

The Risk Cell will be the key group which will work on an ongoing basis within the risk framework outlined in this policy to mitigate the risks to BCPL's business as it may evolve over time.

Effective maintenance of the system will require the following actions:

- The Risk Cell, under the guidance of Chief Risk Officer (CRO), will meet periodically with the Risk Manager(s) (RM) and / or Risk Officer(s) to identify specific business risk and analyse the risk in terms of consequences, if the risk materialises.
- Among all the risks identified the Risk Cell will prioritise and focus on key risks and their mitigation measures.

7.1 Evaluation and Control

- 7.1.1 Identified risks will be assessed in terms of potential consequences and cost of impact.
- 7.1.2 Risks will be ranked in accordance with their likely impact.
- 7.1.3 The acceptability of each identified risk will be assessed.
- 7.1.4 Proposed actions to eliminate, reduce or manage each material risk will be considered and agreed.
- 7.1.5 Responsibilities for the management of each risk will be assigned to appropriate managers.

Based on a cost/benefit assessment of a risk, as is undertaken, some risks may be judged as having to be accepted because it is believed mitigation is not possible or warranted.

7.2 Monitoring

As the risk exposure of any business may undergo change from time to time due to continuously changing environment, the updation of the Risk Matrix will be done on a regular basis. The following process will be followed:

7.2.1 On an immediate basis

Escalation of risks which have substantial impact to the business and meet determined escalation tolerance levels to the relevant Risk Manager or Risk Cell.

7.2.2 Monthly

- The appointed Risk Manager(s) will review the status of risks and treatment actions with key staff in their respective areas.
- Any new or changed risks will be identified and escalated, if deemed necessary.



- Particular emphasis is to be given to risks with high ratings and their corrective actions.

7.2.3 Semi-annually

The Risk Cell will report its collective findings to Audit Committee to the Board on a semi-annual basis.

7.2.4 Annually

- The risk management process is reviewed by the Board for efficiency and effectiveness.
- The risk contexts for each project/job/assignment are reviewed.
- The Risk Management Plan is subjected to annual Risk Audit.

Everyone in BCPL is responsible for the effective management of risk. All staff is responsible for identifying potential risks. Management is responsible for developing risk mitigation plans and implementation of risk reduction strategies. The risk management process will be integrated with other planning, production and sales processes as well as management activities.

7.3 Approval of the Policy

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

7.4 Review of the Policy

The policy will be the guiding document for risk management at BCPL and will be reviewed as and when required due to the changes in the risk management regulations/ standards/ best practices as appropriate.



Disclaimer

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List of Personnel Met

S. No.	NAME	DESIGNATION
1	E. A. SUBRAMANIAN	MANAGING DIRECTOR
2	P. M. CHANDRAIAH	DIRECTOR - FINANCE
3	AJAY CHAUDHARY	DGM – MARKETING
4	TAPAN CHAKRABORTY	AGM – HR & ADMIN



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1. IDENTIFICATION OF KEY RISK AREAS AND SUGGESTED MITIGATION MEASURE IN DIFFERENT DEPARTMENTS OF BCPL

1.1 Identification of Key Risk Areas in Finance Division

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
1. Finance Department				
A. BANKING DIVISION				
Risk of remittance of funds in wrong Bank Accounts through RTGS in case wrong info is fed	4	3	Maker checker mechanism is not followed. It is a huge risk. NO ERP	The RTGS details fed by one officer should be checked by another officer before final transaction can be processed. ERP Implementation should be a way forward.
Risk of Bank Guarantee submitted by associates, risk of non-invocation of Bank Guarantee by BCPL if the Bank Guarantee is expired and not extended in time.	1	1	There is no process of reconciliation as of now.	Schedule of Expiry of BG must be prepared and it should be fed into any software available, which further will give prior alarm before-hand. For the above process to work, adequate provisions and processes be created in the abovementioned software and within the organization as well.
BG being given to outside parties by BCPL for several of its projects.	1	1	The list is being maintained in Excel	Schedule of Expiry of BG must be prepared and it should be fed into any software available, which further will give prior alarm before-hand. For the

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of theft in case of withdrawal of cash from Bank during transit	1	1	No defined process as such. Cash withdrawals have been limited. However any such need is attended to by multiple officers and the transport is managed in official car.	above process to work, adequate provisions and processes be created in the abovementioned software and within the organization as well. In addition to the procedure followed, there can be a practice of closed motor van with proper security arrangement can be used for withdrawing huge amount of cash. The minimum limit for the same can be defined in a policy document. Cash insurance policy may be availed.
Risk of adjusting amount receivable / recoverable against expenditure.	1	1	Internal control mechanism is very weak. Statutory auditors have already pointed that out.	Apart from the said processes, a monthly reconciliation can be initiated.
Risk of issue of Duplicate Cheques	1	1	Bank Reconciliation through bank book register.	Cheque preparation and marked as done in any software available as soon as they are prepared, along with electronic queue provisioning in the software should be done. Cheque printing work in the future can be done through automated software as well.
Risk of low yield in making investments in short term deposits with	1	1	No particular system in place. No comparative rates are taken into account	A person well qualified and having expertise in Short Term Investments



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Banks.			while making such investments.	can be hired for this particular job.
Risk of dishonouring of cheques in case bank balances are not reconciled.	4	2	No risk of cheque bounce as bank book register system introduced recently. Many such occurrences in the past have created major reputation risk.	A replica of Bank Account can be maintained in unit level to avoid risk of dishonouring of cheques.
Risks related to the institution's economic environment such as inflation, foreign exchange fluctuations and interest rates	1	1	No fixed policy as yet.	Foreign exchange cover and interest fluctuation cover should be evaluated every month and a view taken & acted upon regularly.
Risk related to Grant-in aid getting utilized for non-related areas.	4	2	No separate account for maintaining Grant-in aid.	Grant-in Aid should be maintained in a separate bank account to maintain the sanctity and avoid mix-up with working capital.
Risk of funds being misused in the absence of ERP.	5	1	High number of bank accounts currently existing. Unaccounted for FDRs have been discovered in recent past without any record being there in the books of the organization.	Periodic bank reconciliation is a must and the reconciliation report must be presented to the audit committee as well. The number of bank accounts must be reduced to as per requirement.
B. SALARY DIVISION				
Risk of preparation of salary of employees who are not on the rolls of	1	1	Occurrences are rare. However the organization has moved from a cash salary payment mode to salary in bank accounts	A system clearance (in any software available) from HR Department before salary processing can be adopted as a

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
the organization.			mode.	practice. Various milestones can be defined in the process with turn-around time for each milestone may be defined and subsequently be audited as well. Any fresh joining and retirement should be captured in the system in real time to avoid such confusion.
Risk of releasing advance to employees during the year in salary and adjusting the same so that no balance is left at the end of the year.	1	1	No control on double payment.	Advance can be sanctioned and should be deducted in specified number of instalments.
Risk of making short deduction in preparation of salary and adjusting the same at the year end.	1	1	No control mechanism.	The adjustment can be done quarterly.
Risk of over payment of terminal benefits at the time of relieving of employee.	1	1	System & procedure existing as per mitigation recommendation.	There should be a provision of different maker and checker for this process in any software available.
Risk of non-payment of statutory dues (like ESI & PF etc) in time.	2	2	Delay in payment of statutory dues – PF/IT/ST/Municipal Tax/Sales Tax. Also, there are lapses in record maintenance of statutory dues.	There can be a system driven alert mechanism created and the reconciliation can be done as in Bank Reconciliation.



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
C. BUDGET SECTION				
Risk of erratic fund management and lack of financial planning.	4	2	No budget section in the organization.	A separate budget section should be formed with proper responsibility and accountability.
Risk of over estimation of costs with an intention of procuring at higher rates.	1	1	No procurement planning processes in place. No cost benchmarking also in place.	E-procurement to be implemented. The procurement process of tendering for quality cum cost basis should ensure optimum cost irrespective if higher costs are provided in the budget.
Risk of under estimation of costs thereby the actual cost will be much higher	1	1	No procurement planning processes in place. No cost benchmarking also in place.	E-procurement to be implemented. The procurement process of tendering for quality cum cost basis should ensure optimum cost irrespective of budgetary provisions.
D. ASSETS				
Risk of pilferage / MISC appropriations of Fixed Assets	2	2	Asset Management provisioning is done through audits.	Small and movable items such as Laptops, Mobile Phones, PCs etc should be issued on personal names and any loss should be debited to the concerned person.
Risk of pilferage / MISC appropriations of Inventory	2	2	No in-out security check in place for employees as yet.	In case of items of high value, a test check by stores audit team should be instituted. There may be an in-out



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
E. PAYMENT TO ASSOCIATES				
Risk of over payment to Associates	1	1	Huge reputational risk existing as extremely erratic payment terms. Debtor or creditor reconciliation process needs improvement.	Individual payment reconciliation through software available and exception report generated. It should be certified by the concerned HOD.



1.2 Identification of Key Risk Areas in Production and Operations Division

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
A. EXTERNAL PREDICTABLE ENVIRONMENTS				
<ul style="list-style-type: none"> Political, Legal & Social Risks Changes in Governments, policies, regulations, rules, laws, war, revolution, civil disorder, risks under criminal law and the law of tort, pollution, waste treatment, local regulations, constraints on the availability of labour, import-export restrictions and procedures, joint venture rules, inconsistency of regulations within the country, requirements for licenses and permits, crime and insecurity, bribes and corruption, religious and cultural conflicts. 	4		<p>All permissions / registrations required under various laws and rules are being taken.</p> <p>In-house security and confidentiality of documents also is being maintained. Quality Audit exists. ISO documentation deficiency.</p>	<p>Accept that shifting the risk is not effective.</p> <p>Promptly make request to the client for cost and time overrun including compensation due to subsequent legislation. Promptly invoke force majeure clause.</p>
<ul style="list-style-type: none"> Production and Specification Risks Inadequate procurement information, incorporation of new technology, unrealistic specifications, likelihood 	4	2	<p>Quarterly production plan is as per the marketing plan. Renovation and modernization is the need of the hour. Approved purchase manual is required. No separate Quality Assurance team in the</p>	<p>The specific production planning as well as Quality assurance team having a combination of highly knowledgeable and experienced experts as well as younger team members should be in</p>



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
<p>of production changes, non-standardization of resources, designers, delays, non-conformity with national and local specifications.</p>			units.	place in all units.
<p>• Financial & Economic Risks Investment risk, inflation, escalation of prices, availability and exchange rate fluctuations, local and national taxes, inadequate sources and availability of funds, cash flow problems, effect of time and cost overruns, default of stakeholders and suppliers, demand scenario and constantly changing market scenario.</p>	3	2	No specific mitigation mechanism is place as yet. Price is pre-prescribed by Government. 90 days credit but payment realization is a huge problem.	Accept/share if project/assignment/job duration exceeds 12 months by making price escalation provisions or inflation sharing mechanism and statutory variation clauses in contracts including consideration of these factors while bidding, in the cost estimates. In case of sub-contracting/involvement of third party affecting the execution of the project should be mitigated through built – in LD and Bonus Clauses effectively into respective contracts.
B. INTERNAL ENVIRONMENT				
<p>Scope Change Scope gap (ill-defined scope) change due to unexpected behaviour, no delegation of authority and high complexities.</p>	3	3	Based on current organizational structure, the Job Description, Delegation of Authority for job review and mid-way course correction mechanism is not there.	Effective control system to be adopted, analysis of changes and problems to be checked.



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
<p>Time Overrun Risks Lack of proper implementation planning, Poor Management of Implementation</p>	3	4	<p>Strict control required to avoid time overrun is lacking, which may occur because of external agencies/factors, clients etc. Also, workforce of only 18 is taking care of 9 depots.</p>	<p>Monitoring projects through adequate Project Management Tools. Transfer by including contract clauses for penalties, liquidated damages, performance bonus, and performance guarantee with sub-agencies / contractors.</p>
<p>Cost Overrun Risks Inaccurate cost estimates, inadequate cost planning and control, no extra work control and no analysis of changing environment and market conditions, incomplete project closure.</p>	4	3	<p>No proper price escalation clause in contracts. No regular production planning in place.</p>	<p>Reduce cost overruns by adopting fixed/lump-sum turnkey contracts and developing contingency plan and developing scope and risk management.</p>
<p>Leadership & Organizational Risks i) No project/assignment vision, no team building, poor motivation of participants, high turnover of critical team members, indecisiveness. Unreasonable stake-holder expectations, lack of senior management support, lack of team consensus over project plans, limited authority/control of project manager,</p>	3	2	<p>Trainings are carried out for Senior Management to develop leadership and HR skills. On the job, structured trainings required for the other team members. No induction process in place to formally induct and welcome the fresh flood into the system.</p>	<p>Reduce by managing HR effectively, employing experienced and right manpower for right job, allowing for staff training, seminar and workshop to develop and committed project leader. Organize in-house interaction amongst project leaders for adequate opportunity for experience sharing.</p>



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
<p>poor communications, poor industrial relations, high rate of sickness & absenteeism, unsafe working conditions resulting in accidents and poor turnover, conflicts among staff and participating organizations, lack of coordination, insufficient liaison with public services, barriers in information communication.</p> <p>ii) Inappropriate organization network, poor assignment/allocation of tasks and responsibilities, lack of competent persons, documented procedures / processes, inadequate communications infrastructure, no database, inflexible and unrealistic project plans, poor quality control, unsatisfactory conduct of status review meetings, inability to take timely corrective action, incomplete project closure.</p>				
<p>Physical Resources Mobilisation Risks Inadequate and Low quality procurement of resources, non-</p>	2	2	No Vigilance. Lots of safety issues. No ABC Analysis for stores. No Procurement policy as yet. Low productivity leading to breach of delivery deadlines. Organization	Resources mobilization including proper inventory for spares to be planned and synchronized with complete project/production schedule.



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
quantities, payment problems, extra work variations, unrealistic tendered amount, no-credit worthiness of contractor, high cost of legal decisions, insufficient insurance and surety, incorrect documentation of claims and disputes etc.				
C. EXTERNAL UNKNOWN ENVIRONMENT				
Acts of God such as earthquakes, floods, landslides, ecological damages, epidemics etc.	5	1	Force Majeure clause is a part of contracts.	Transfer risks to insurer / contractor and client under Force Majeure clause.
In case of a 3 rd Party (Client) needs to provide critical information for the success of a specific project and the same is not available in time.	5	2	No measures to tackle the risk.	Contract with the 3 rd party to have clauses like Liquidated Damage and Penalty for such a situation. In case 3 rd party fails to provide information in time the same can be done through other sources by BCPL and the cost for which should be debited to the 3 rd party. Such clause can also be included into the contract with the vendor/contractor's organization.



1.3 Identification of Key Risk Areas in Secretarial

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of non maintaining the secretarial records, statutory books and registers may lead to fines and penalties on the Company and adverse effect on the goodwill of the Company	2	2	All the Statutory books and records are maintained by the Company Secretarial department. Further, Statutory Auditors also ensure while auditing, that all the statutory records are maintained by the CS.	Always ensure all the statutory books and records are maintained by the Company Secretarial department and provision of periodical check should be followed
The absence of written communications from CS to other depts., may lead to non-compliance of certain statutory requirements.	2	2	Absence of documented procedure.	Planner should be used and circulation of this to the entire department must be ensured.
Risk of non compliance of filing of returns and mandatory reports with various government authorities would lead to fines and penalties	2	2	A planner entailing provisions pertaining to filing returns and reports, holding meetings & documenting minutes has not been maintained.	Returns and mandatory reports should be submitted before time if not at least in time. Specified person should be made responsible for above work.
Risk of non-compliance with the statutory provisions pertaining to holding meetings of Board & various Committees and documenting minutes may lead to fines and penalties.	2	2	Holding meetings and documenting minutes, has been maintained.	Prompt response of circulation of minutes of all meetings should be done and particular person should be made responsible for it.



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
press release and loss of goodwill.				

1.4 Identification of Key Risk Areas in Marketing and Business Development Division

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of selecting inappropriate associate	3	3	Selection procedure through tendering and notices is used. At times due to lower cost selection, the execution quality gets affected.	Quality and Cost Based Selection (QCBS) should be followed.
Risk of inadequate rapport with the clients.	2	2	Client relations are mostly responsibility of senior management. However due to busy schedule it does not get full-attention at times.	Employees to be posted various offices should be suitably advised for utmost customer satisfaction. This will help in client sustenance.
Risk of not retaining good associates.	2	2	No such processes in place. Not a great organization reputation in market due to various issues.	Payment system should be improved.
Risk of workability of rates.	1	1	Needs to be improved for adaptability. Pricing is policy driven. Rate of industrial chemical is higher as compared to other competition.	Thorough analysis of rates, keeping in view the contract terms and conditions and local conditions must be carried out.

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of inability to track, identify and comply with the new laws viz., Companies Act 2013. Rules and Provisions, other laws applicable to the Company may lead to penalties and fines.	2	2	The Company Secretary looks after all such laws and issues etc.	Company Secretary with Law background should be engaged.
Risk of Non Compliance with the various clauses of the DPE Guidelines may lead to adverse reputational effect. In such an event company may not be able to secure "EXCELLENT" rating to which Productivity Linked incentive Scheme is linked.	2	2	CS prepares a list for identification of various requirements of DPE Guidelines. Off late steps are taken to comply with all the provisions and the Guidelines as well as timely submission of Reports to Administration & the Ministry. The Senior Management is extending support and cooperation for such activities.	DPE guidelines and steps should be strictly followed and periodic report should be submitted to administration as well as to the ministry.
Risk of absence of centralized monitoring of compliance with various statutory regulations may lead to non compliances going unidentified. Timely corrective actions may not be taken in case non compliances are not highlighted.	2	2	Updating of check lists with the latest amendments in applicable Acts is not being carried out.	Statutory regulations should be centrally monitored by the company secretary.
Risk of non Compliance could result in penal prosecution and may result in disruption of operation. Negative	5	1	Updating of check lists with the latest amendments in applicable Acts is carried out partially.	Periodic updation of checklists should be made mandatory.

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
JV & MoU Risk			The risk is tremendous currently as the organization is not able to put anything structured in place.	Scope and deliverables of both parties to be fixed properly in such contracts signed along with strict milestones and proper accountability to be fixed within the organization.
Risk for Secrecy of Data (both soft & hard copy)	3	3	This area requires more systematic protection.	<ul style="list-style-type: none"> - Hard copies of important data to be kept under lock and key. Soft copies of data to be stored in separate computer (not connected with LAN) - For safety, password to be used on computer.
Risk of weak market connect	4	4	<p>Brand Copy. Promotional budget is non-existent as was never even considered relevant or important, leading to extremely weak market connect. Also, there is less coordination between Marketing and Purchase teams which leads to internal disconnects and conflicts.</p> <p>There is No Corporate Communication team leading to almost 'nil' presence of the organization in 'social', 'online' or 'public' space. Minor PR Connect only.</p>	



1.5 Identification of Key Risk Areas in Information Technology Division

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of Non Availability of Data backup at other sites	3	3	The risk exists currently as no proper system and procedure to replicate the Data to another site.	IT Security Policy to be formulated and same is to be Implemented
Risk of inadequate IT skills of the employees result in vulnerability to internet threats.	1	1	Training needs yet to be identified, and trainings yet to be imparted to various staff members to keep their IT skills in line with business requirements.	Training to be imparted to various staff members to update their IT Skills from time to time. Good quality and Original Antivirus with firewall should be installed.
Risk of small security setup without intrusion prevention system.	2	2	No safety officer at Panihati and Kanpur. No proper security or safety mechanism in place at any of the locations.	Security system should be upgraded with CCTV facilities installed and Magnetic Entry Card should be issued to all staff and visitors also.
Risk of inadequate fire fighting system in server room/office.	3	3	Inadequate fire fighting facility observed	All latest fire fighting system should be installed.



1.6 Identification of Key Risk Areas in Human Resource Division

Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of recruiting unsuitable candidates.	1	1	Such an incident has not occurred, as such, in the recent past. No formal and methodical recruitment guidelines in place as yet.	Proper job description should be prepared before recruitment. Proper evaluation of technical and personal qualities should be carried out using standardized formats.
Risk of employee dissatisfaction.	3	3	Employee satisfaction level is not very high. Focus on such areas is lacking as no concrete and constructive mechanism is currently there to identify such risks. No Job Description & Job Analysis in place. No structured Training calendar. Organization has no standard and organized Workplace Safety Policy, Transfer Policy, Medical/Hospital Allowance Policy, Appraisal Policy and RTI Implementation Framework. Minimum wages applicability is not for Contractual employees and security guards. Contractual employees PF are deposited in BCPL PF Trust.	Employee satisfaction survey should be done to determine status. Based on feedback corrective measure in management policies or HR policies should be initiated.



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
Risk of enrolling unskilled & incompetent personnel.	3	3	Skills and Competence level of some personnel could have been better. Manpower Quality Control issue exists.	The skill & competence level should be checked thoroughly. Requirement based skill enhancement programme should be carried out for each skill level. Competence level will Improve by redefining job description in terms of competence area.
Risk of employee absence due to sickness and poor health.	3	2	Medical/Health Allowance policy is not structured. Such areas have never been paid due attention.	Besides providing facilities for Medicare, positive health measures such as regular health lectures; yoga camps etc can be organized.
Risk of poor morale due to poor employee relations.	4	3	Employee morale is not very high because of lack of basic and structured facilities in terms of fringe benefits. No trainings to boost the morale of the work force are conducted.	Satisfaction survey should be repeated after 6 months to measure the improvement as a result of steps taken to improve morale.
A. RETENTION				
Policy of retention should be well laid out & clear occupational health.	2	2	There is no clear policy.	There should be a laid down retention policy. The policy should be explained to every aspirant employee before joining. The retention policy may include areas like succession planning,



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
				career mapping, growth path identification, promotion policy etc. Such details must be available in library which can be read by any interested employee.
B. KNOWLEDGE & INFORMATION MANAGEMENT				
Risk of non-availability of information.	4	4	Risk exists massively.	Information from internal and external sources should be collected as Knowledge Management is a business discipline that emphasizes on how an enterprise generates stores, disseminates and ultimately leverages information and knowledge. Information should be made available in different headings/categories wise.
Risk of instability & integrity of information.	4	2	Limited system for re-checking the veracity of information or its stability.	The gathered information should be randomly checked for its stability. The each department/section head should be consulted and asked to verify for stability of information collected.
Risk of not safeguarding business information.	4	3	Business information should be kept secure. No audit mechanism as of now.	A formal System of information & passwords to access different info should be framed to safeguard



Type of Risk	Consequence Rating	Likelihood Rating	Current Status	Risk Mitigation Measures
				information that may be either misused by contractors or competition.