

**KONKAN RAILWAY CORPORATION LTD  
(A GOVERNMENT OF INDIA UNDERTAKING)**

**RISK MANAGEMENT POLICY**

## **PREAMBLE**

Every organization in its functioning is faced with risks that are inherent in nature. No organization works in a risk free environment. It is only that the Risks are subjective and varies from organization to organization.

It is therefore imperative for every organization to be prepared to face anticipated risks. Organizations should therefore have an adequate Risk Management Policy considering the risks and challenges they may encounter. Thus, enlightened Organizations perceive their threats and risks well in advance and are well-equipped to meet future challenges.

## **1. INTRODUCTION**

KRCL was established in 1990 by Government of India as a Central Public Sector Undertaking with equity participation by Government of Maharashtra, Karnataka, Kerala and Goa. The main objective of creating this special purpose vehicle was construction of a Railway line along the Western Coast of India connecting Roha on Central Railway to Mangalore on Southern Railway.

After completion of the project phase, the main business of KRCL is Railway operations besides undertaking construction projects particularly of Indian Railways to generate additional income for the Corporation.

Therefore the main objectives spelt out for KRCL are:-

### **✦ Train Operations:-**

To provide safe, punctual and comfortable transportation for passengers and freight for the section under the control of Corporation so as to maximize the net operating revenues, with optimum utilization of resources.

### **✦ Project division:-**

To evolve Konkan Railway Technologies & building Intellectual Property to enhance efficiency and reliability of performance and to undertake challenging projects.

## **2. OBJECTIVES OF THE POLICY**

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

- a. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.
- b. To establish a framework for the company's risk management process and to ensure company wide implementation.
- c. To ensure systematic and uniform assessment of risks related with Railway Operations and construction projects.
- d. To assure business growth with financial stability.

### **3. RISK MANAGEMENT POLICY**

In order to fulfil the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the Risk Management Policy is stated below:-

- a. To ensure protection of all stake holder's value through the establishment of an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.
- b. To provide clear and strong basis for informed decision making at all levels of the organization.
- c. To continually strive towards strengthening the Risk Management System through continuous learning and improvement.

This policy is meant to ensure continuity of business and protection of interests of the investors and all stake holders and thus attempts to cover all the activities within the company and events outside the company which have a bearing on the company's business. The policy shall operate in conjunction with other business and operating / administrative policies.

### **4. ROLES AND RESPONSIBILITIES**

To implement the above Policy, the following roles and responsibilities are laid down for the Enterprise Risk Management Process:

### **5. BOARD OF DIRECTORS**

The Board of Directors shall nominate Functional Directors of the Board who shall have the overall responsibility for ensuring that the risks are identified and managed. The role can be undertaken through activities like assessing the risks of the company in line with the overall business environment, and company's objectives, identifying the potential risks and their impact assessment on the on-going Operations and Projects, developments of response strategy to the assessed risks, dissemination of response strategy at the implementation level and its implementation, monitoring and feedback on the risk management effectiveness.

The Functional Directors may also appoint an Additional Member(s) to the Risk Management Cell consisting of Senior Executives of pertinent departments, keeping in view the perceived risks and delegate the above mentioned activities to the Risk Management Cell.

## **6. RISK MANAGEMENT COMMITTEE**

Risk Management Committee (while undertaking the tasks delegated by Board, has to provide assurance to the Board that Risk Management processes are working effectively and the key risks are being managed to acceptable levels. Risk Management Committee / Risk Management Cell shall perform these functions through following activities:-

- \* Identification of key risk bearing activities with respect to the risk potential as compared to best business practices as:
  - \* **Minor,**
  - \* **Significant or Critical,**
  - \* **Substantial or Major.**
- To set up Control Systems for the risk-assessment.
- To provide guidelines relating to drafting/modifying of Business Operating Procedures, and their documentation.
- To review the risk assessment reports and issue directions for improvements.
- To assess the need for creating / developing a 'Risk Register'.
- Risk Management Cell will deliberate on learnings from various accidents on other Railways.
- Risk Management Cell will meet at least once in a quarter and the minutes thereof will be put up before the Risk Management Committee once in six months.

## **7. RISK MANAGEMENT COMMITTEE'S MISSION**

RMC's mission is to mitigate the key risks, inherent in the business process; while maintaining the productivity and efficiency. Head of the Departments and Project Managers can rely upon RMC as a troubleshooter for any potential risk management/mitigation. In performing this function, the RMC will undertake the following activities.

- Identify processes and associated risks in the business process, in association with Head of Departments [**HODs**].
- To identify and suggest newer methodologies for measuring and managing risks.

- To coordinate with finance and/audit to continually verify data for its accuracy.
- To play an active role along with HODs in designing the standard operating procedures

## **8. PROCEDURE FOR IMPLEMENTATION AND MONITORING OF RISKMANAGEMENT POLICY**

The Risk Management Committee/ Risk Cell will guide the Functional Heads of Department in implementing the Risk Management Policy, monitor its implementation in everyday activities of their respective Department, giving regular feedback to Board of Directors about the Risk Management of the ongoing operations, and potential risk areas.

The Procedure Manuals, to be established by each Head of the Department in the Office and by each Project Manager in the field should be in line with the Risk Management Policy.

## **9. RISK ORGANIZATION STRUCTURE**

The Risk Management Policy will be implemented through the establishment of a Risk Organization Structure (RISK CELL) which will consist of Chief Risk Officer, Risk Managers & Risk Officers.

Effective maintenance of the system will require the following actions:

- a) The Risk Cell, under the guidance of Chief Risk Officer (CRO), will meet periodically with the Risk Managers (RM) and Risk Officers (RO) to identify specific business risk and analyze the risk in terms of consequences, if the risk materializes.
- b) Among all the risks identified the Risk Cell will prioritize and focus on key risks and their mitigation measures
  - ✦ Identified risks will be assessed in terms of potential consequences and cost of impact.
  - ✦ Risks will be ranked in accordance with their likely impact
  - ✦ The acceptability of each identified risk will be assessed
  - ✦ Proposed action to eliminate, reduce or manage each material risk will be considered and agreed.
  - ✦ Responsibilities for the management of each risk will be assigned to appropriate managers.



- △ Human relations
  - Industrial relations – organized labour agitations and pressures
  - HR policies / actions related to recruitment, training, salary structure, D&AR, promotions, transfers, talent retention.

**(B) Projects**

- 1) Escalation of project costs risk
- 2) Risk related to Govt. regulations & policies on land acquisition.
- 3) Funding Risks
- 4) Sub-optimal project selection
- 5) Contractual Risk
- 6) Price Escalation clause
- 7) Legal Compliance Risk
- 8) Risk of delay in project completion
- 9) Improper contractor / supplier selection risk
- 10) People Risk
- 11) Information Technology Risk
- 12) Sovereign risk
- 13) Environment Risk
- 14) *'Force Majeure'*:
- 15) *Any other external factors.*

## **12. APPROVAL AND REVIEW OF THE POLICY**

The Board will be the approving authority for the company's overall Risk Management System. CMD will monitor the compliance thereof. The policy will be the guiding document for risk management at KRCL and will be reviewed as and when required due to the changes in the risk management regulations / standards / best practices as appropriate.

## **13. CONCLUSION**

The details given above highlights broadly the different risks that are inherent. This will help KRCL to anticipate the risks to a great extent and also take measures to mitigate it. The risks and guidelines mentioned above reflect only a broad outline and are not conclusive. The Risk Management Committee as constituted by the Board of Directors should always be on the lookout and anticipate fresh threats that can hamper the progress of the train operations or projects.

The RMC nominated by the Board of Directors should regularly keep them informed/Updated about the latest risks and also the ways and means to mitigate the same which will enable the Board of Directors to take necessary and appropriate decisions. The Risk Management policy is an



on-going process and is to be updated periodically.

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