

Risk Management Policy

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improve the governance practices across the Company’s activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities

Back Ground and implementation

- a) This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluating, monitoring, and minimizing identifiable risks.
- b) This is in compliance with the provisions/rules/regulations that are applicable and that may be applicable to the Company, which requires BSCPL Infrastructure Limited (**BSCPL**) to lay down procedures about the risk assessment and risk minimization.
- c) The Board of Directors of the Company and the Audit Committee shall periodically review the risk management policy of the Company so that management controls the risk through properly defined net work.
- d) Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee.

DISCLOSURE IN BOARD’S REPORT

Board of Directors shall include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

Risk Management /framework:

Risk Management involves:-

- Identification of the risks.
- Evaluating the risks
- Laying down procedures to monitor/ control and reduce/ minimize the risks.

Risk Identification system:

At the first stage, there should be assessment and acknowledgement of inherent risks. The risks are identified as follows:

Business Risks:

BSCPL, which is operating in Infrastructure business, is prone to External and Internal business risks. External risks involve, risks prone to Infra Industry as a whole, such as change/s in Government policies, vagaries of nature affecting business like floods, earthquakes, riots, war.., and other external factors beyond the control of BSCPL. Risk of competition is also included in External risks.

Internal risks involve inability to perform despite favorable conditions prevailing in the market. These risks can be due to the following:

- **Key Man Risk:-** The top management is responsible for overall business success and continuity and in his absence there will be risk on the Company as a whole.
- **Failure Risks:-** Lack of coordination amongst various functional departments, by which there can be mismanagement of the projects. This can also happen due to lack of internal controls, failure of planning and execution in any of the functional areas of management viz, technical, construction, finance, etc.
- **Operational Risks:-** Quality Control and time management are inherent to successful execution of business. Any failure in quality and delay in completion of projects can constitute a risk to Company's performance.
- **Legal Liability Risks:-** For alleged non compliance/ violation of various laws applicable to the Company, there can be legal liabilities on the Company and the management. This may arise and be fixed on the Directors, individually or collectively, and all the officers who are involved.
- **Manpower Risks:-** There is inherent risk on account of skilled and specialized manpower. They gain experience working with the Company and need continuous motivation and supervision, so that their efforts are best used in the Company. There is a risk of specialized manpower leaving the jobs, joining competitors, sharing confidential information with competitors etc. There is also the risk of they being under-utilized or put in areas where they are misfit.
- **Technology, Consumer Preference Risks:-** Change in technology can lead to Company lagging behind competitors. Change in consumer preferences/ choices can make the planned projects or those under execution, difficult to sell.
- **Financial Risks:** Financial risks as applicable to BSCPL are:-

- Non-realization of money from customers.
- Increasing interest costs on amounts borrowed
- Non-supply of materials or breach of any conditions of contracts made with contractors, who do the construction of the projects, resulting in need to re-route supplies involving higher costs
- Imposition of any fresh or increased taxes or levies on the Company/ industry, by the Government.
- Discontinuance of any existing finance facilities given by the Banks/ Financial Institutions, which may result in higher cost of borrowed funds to be taken from others.
- Foreign exchange risks on account of fluctuations in foreign exchange vis a vis the rupees.
- Fall in profitability on account increased cost not matched by prices, and also falling price of the products.
- Fall in liquidity resulting in cash flow problems.

Risk Management Procedure & Minimization:

- (i) A detailed identification of the Risks of **BSCPL** should be done in consultation with all the concerned Departments/ functions. It should be evaluated in detail and be reviewed periodically. If need be, services of consultants who are familiar with the subject, may be taken.
- (ii) To monitor/ control risks, and their reduction/ minimization, **BSCPL** has already taken/ shall take the following measures/ steps:
 - (a) External Business risk is sought to be monitored and minimized through keeping a strict watch on the policies of the Government and economic scenario of the Country, better customer relationships, better quality of products and competitive pricings, keeping abreast of competitors activities, and insuring the assets of the Company against destruction/ damage and other material risks.
 - (b) Internal Business risk is sought to be controlled and reduced by:-
 - For Key Man risk - Key Man Insurance policy.
 - Establishment of internal control systems, which involves internal audits and internal checks by internal and external auditors who are professionals.
 - Establishment of Quality Management System/s which is controlled through ISO certifications and other system implementation and periodical monitoring by outside certification agencies, by way of audits.
 - Legal liability risks are minimized by ensuring that legal compliances are duly done and there is constant reporting back to the Board about the compliances.
 - Implementation of effective HR management for monitoring manpower resources. Laying down formal organization structure, various rule/

regulations/ policies, their implementation, delegation of authorities to key professionals in functional areas and seeking their accountability, restriction of leaking of confidential information through contractual terms etc.

- Adopt HR tools like employee satisfaction survey, exit interviews and external benchmark study to frame and implement a companywide retention policy to prevent loss of business skills and check attrition.
- Adopt various mechanism viz Financial / Non financial reward & recognition systems including Performance related incentive based on individual / group performance which would lead to increased organisational productivity, systems for unlocking creativity / potential of employees, competence building aiming to have employee delight and also to arrest the employee attrition.
- Keeping a watch on the market practices/ technology advances/ strategies of the competitors for continuous monitoring of the products and the marketing policies of the Company as well as understanding consumer preferences.
- Taking insurance of buildings, assets etc of the Company. Insurance includes that of fire, burglary, money, personal accident, fidelity guarantee, car, insurance etc.
- Effective management of the financial resources of the Company so that the Company's financial risks are minimized. Foreign exchange risk is managed through forward contracts.
- Best utilization of the existing resources in order to aim at the maximum and long term gains;
- Aiming the future business with due caution after careful assessment of international and national market indicators, lessons from the past and the scenario which is likely to dominate the forthcoming years.
- Priority in creating assets which may take care of the financial health of the Company up to longer duration and may protect from loan trap.
- Being alive to efficient and cost effective techniques of execution and open to changes and improvements at right stages of operations; and continuous updating of the project management systems.

The combination of policies and processes as outlined above adequately addresses the various risks associated with the Company's businesses. The senior management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Amendments

All or any of the provisions of this Policy would be subject to revision/amendment by the Board of Directors of the Company based on the recommendations of the Risk Management Committee or else in accordance with the guidelines on the subject as may be issued, from time to time.