Enterprise Risk Management (ERM) Policy of

Bharat Broadband Network Limited

(BBNL)

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1.0 VISION

The vision for Enterprise Risk Management ("ERM") at Bharat Broadband Network Limited (BBNL) is to achieve the embedding of risk management into all activities as an integral part of the business of the organisation and to have comprehensive internal control and assurance processes linked to key risks.

2.0 INTRODUCTION

Risk has been defined as anything that hinders the sustainable achievement of enterprise objectives and results, including failure to maximize opportunities. Risk is a fundamental and inherent part of any business activity. One of the very important factor which determine the success of the business and accomplishment of the overall business objective is the management of risk. Risk is much more threatening in today's business world than ever because of the reasons: -

- Customers have instant access to more information about product and services than ever before.
- Multiplication of sales channels are opening up more avenues for competition.
- Globalisation has opened every market to competitors.
- Deregulation is facing business to struggle for survival.
- Risk management now includes not just insurable risks, but also uninsurable risks.

The Enterprise Risk Management Policy ("the ERM Policy") establishes the criteria within which enterprise risk management is managed at the Enterprise level. The intent of this Policy is to ensure the effective communication and management of risk across all risk categories including at an aggregated level. The Policy is also intended to ensure that BBNL maintains an effective distinction between those who establish risk policy, processes (i.e., assessment) and methodologies (i.e., monitoring and reporting); those involved in taking and managing risk; and those who provide assurance that all significant risks are appropriately identified, assessed, managed, monitored and reported. A properly implemented ERM policy has many potential advantages to an organisation in the form of: -

(i) Better informed decision making
(ii) Less chances of major problems in new and ongoing activities; and
(iii) Increased likelihood of achieving corporate objectives.

The scope of the Policy is enterprise-wide and is applicable to Board, Management and employees of the BBNL Enterprise.

3.0 DEFINITION OF ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management: Enterprise risk management (ERM) is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's capital and earnings. It creates business value through an integrated process of identification, estimation, assessment, handling and controlling of risk. Enterprise risk management is a process, applied by the organization in a strategic setting, which enables management to (i) identify potential risk events that may affect the entity; and (ii) provides a framework to manage risk within the organization's risk appetite in order to provide reasonable assurance regarding the achievement of the organization's objectives. It is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio. ERM expands the process to include not just risks associated with accidental losses, but also financial, strategic, operational, and other risks.

Enterprise risk management represents a significant evolution beyond previous approaches to risk management and it:

1. Encompasses all areas of organizational exposure to risk (financial, operational, reporting, compliance, governance, strategic, reputational, etc.);
2. Prioritizes and manages those exposures as an interrelated risk portfolio rather than as individual "silos";
3. Evaluates the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders;
4. Recognizes that individual risks across the organization are interrelated and can create a combined exposure that differs from the sum of the individual risks;
5. Provides a structured process for the management of all risks, whether those risks are primarily quantitative or qualitative in nature;
6. Views the effective management of risk as a competitive advantage; and
7. Seeks to embed risk management as a component in all critical decisions throughout the organization.

4.0 OBJECTIVES OF ENTERPRISE RISK MANAGEMENT:

The Development of Enterprise risk management policy for the company is an important task. The activity is related to the board's corporate strategy work and involves specifying the types and degree of risk that the company is willing to accept in pursuit of its goal. It is a crucial management guideline in managing risks to meet the company's desire risk profile by way of addressing the following issues: -

4.1 Organisations typically manages risks in silos. Individual department focus on functional risks related to their department in isolation and they seldom try to understand how risks in one department impact the rest of the organisation. The departmental specific approaches and philosophies lead to inconsistencies in the overall approach of the company to the risk management. First and foremost objective of this ERM policy is have the collaboration and coordination among the different departments within the organisation to identify & address the inter-departmental risks.

4.2 The telecom service sector is highly sensitive to technology, regulatory and policy environment. It, being intensely competitive, is highly susceptible to consumer preferences and obsolescence. Further, its exposure to externalities is much greater than any other sector. The perception of risk for BBNL as a telecom service provider, therefore, would be highly dynamic depending upon the situations unfolding from time to time especially in the initial stages of the company when the organisation is getting build up and the network is being rolled out. The objective of the policy is to address the issues related to timely roll out of the network with the budgeted cost.

4.3 Further, the concept of risk management with respect to a state controlled telecom company BBNL, which is subject to cumbersome government procedures as well as amenability for public scrutiny will differ from other similar private telecom service provider organisations. Moreover, BBNL is having special status & mandate as SPV as it has been given onerous responsibilities to roll out the NOFN network by utilising the existing OF cable of other state-owned CPSUs BSNL/Railtel/ PGCIL and the execution of the project is also dependent upon these CPSUs. Performance of these CPSUs will reflect on the performance of BBNL.

4.4 The Policy is intended to articulate the BBNL's understanding and approach to the management of risk throughout the enterprise. The components of the BBNL Enterprise's risk management program include:

- The key driver of risk management;
- Principles of risk management;
- Risk appetite;
- Identification, measurement and assessment of risk;
- Roles and responsibilities for the management of risk;
- Mechanisms by which the BBBNL as an enterprise mitigates & manage its risk appetite; and
- Reporting requirements for risk assessments and actions including escalation to appropriate levels within the enterprise.

5.0 Imperatives of ERM in terms of Corporate Governance Norms

5.1 The Guidelines on Corporate Governance Norms for the Unlisted CPSEs' made mandatory for the CPSEs vide para 7.3.1 of the Chapter on Board Disclosures, stipulate that "*the company shall lay down procedures to inform Board about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of properly defined framework. Procedures will be laid down for internal risk management also*".

5.2 Further, the guidelines contained Chapter 3 also lay down that *"considering the significance of risk management in the scheme of corporate management strategies and their oversight should be one of the main responsibilities of the Board/Management. The Board should ensure the integration and alignment of the risk management system with corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate task at set times"*.

5.3 In addition, today's modern risk management techniques make it clear that in identifying the risk, organisation should identify when, why and how events could prevent, degrade, delay or enhance the achievement of the objectives of the organization. Therefore, BBNL's ERM Committee endeavoured to identify the potential risks for BBNL, integrate and align the risk management system with the corporate and operational objectives of the company and also recommends the risk management is undertaken as a part of normal business practice and not as a separate task at set times, enunciated in the guidelines for Corporate Governance in unlisted CPSEs.

6.0 Potential Risk Factors for BBNL

Bharat Broadband Network Limited (**BBNL**), a special purpose vehicle (SPV), has been incorporated to execute the NOFN project for providing optical fibre connectivity to all the 2.5 lakhs Gram Panchayats with adequate bandwidth. This is to be achieved utilizing the existing optical fibre and laying incremental cable to the Gram Panchayats. BBNL will carry on the business of establishment, management and operation of NOFN and to provide access to bandwidth in a non-discriminatory manner to all eligible service providers to enable them to provide IT services in rural areas. In general, the following are the major risk associated with the business of the company:

6.1 Project Execution related Risks: Project execution related risks are given below:

(i) **Risks related to Health of the Existing OF cables:** As per mandate given to BBNL, about 2,50,000 GPs are to be connected by laying incremental OFC and connecting it to the existing optical fibre of BSNL / Railtel / PGCIL. Health of the existing fibres of these companies are not known. If these existing fibre cable are faulty / not usable, then BBNL may have to lay additional OF cables. This may lead to increase in the total quantity of optical fibre cables to be laid and thus it may lead to cost & time over-run to complete the project.

Moreover, as per the project report, about 2 km of incremental Optical fibre cable is to be laid to provide connectivity to each GP i.e. about 5,00,000 Kms in total, optical fibre cable is to be laid. While at the time of execution of the project, the actual quantity of the incremental optical fibre cable to be laid may increase and thus it may lead to cost & time over-run and delay the project.

(ii) **Risk related to performance of BSNL/Railtel/PGCIL**: As per the approval given so far, NOFN project works is to be executed by three CPSU namely BSNL / Railtel / PGCIL. BBNL's performance and network rollout will depends upon the performance of these PSUs. Also for few systems like NMS, GIS, etc., BBNL is dependent upon C-DOT / NIC. The delay in execution of the project by these CPSUs may result in cost & time over run and thus impact the overall execution of the project.

(iii) **Risks related to procurement of tendered items:** Delay in procurement of tendered items like optical fibre cable, GPON equipment etc. may lead to delay in completion of the project. Similarly, delay in finalisation of the tenders for HDPE pipes, trenching & cable laying by CPSUs may result in delay in execution of the project.

(iv) Risk related to ROW: Tripartite agreements for ROW have been signed with most of the states. ROW permission is also required from some more agencies like NHAI, Defence Authorities, Forest departments, etc. If the ROW permission are not received from these agencies, it may delay the cable laying and ultimately delay the project.

6.2 <u>Industry & Services Risks:</u> These risks could be categorized as follows:-

(v) **Economic risk:** Under the NOFN project, BBNL has been envisaged to provide the high speed bandwidth between block HQ and Gram panchayats. Connectivity from block HQ to District / state level and from Gram panchayats to end customers is to be provided by the third party /Service Provider. As the BBNL NOFN project does not envisage the end-to-end connectivity by BBNL, it may not be commercial viable project. Thus the company may not have sufficient revenue generation. Further, a rising/likely to arise due country's economic conditions particularly developments in rural India may lead to reduced demand of bandwidth in gram panchayats, which may lead to further reduced demand and/or low revenue for the company.

(vi) **Market related Risk:** Increasing competition in telecommunications services particularly in bandwidth / leased lines related services demands accurate market study and strategies for sustaining the levels of planned growth, including efficient management of sales and distribution of products and services. It also requires quick response to the market dynamics. BBNL, being PSU and with work force which does not have adequate marketing skills, is highly susceptible to such market related risk.

(vii) **Customer Relationship Risk:** Arising/likely to arise due to the poor standards of quality in service, defective services, non-redressal of consumer complaints, wrong billing and any other consumer related grievances.

6.3 <u>Management and Operational Risk:</u> Such risk, which are common to every type of industry and equally applicable to BBNL, could be categorised into the following:

(i) Personnel related Risk: BBNL is envisages to have very few executives and officers below board level. Because of this, the dependencies on individual executives / offices is likely to be very high. Further, BBNL is a new organisation, most of the officers / executives on deputation from other PSUs / departments. BBNL may have the risk related to the quality of officers available for hiring on deputation from these organisations. Similarly, these organisations may not relieve the officers once selected by BBNL for deputation.

(ii) Agency Network related Risks [Contract Management]: Such types of risks are common and associated with every business enterprise. With its massive expansion plans and requirements of stores and spares, maintenance contracts, outsourcing contracts, contracts with other service providers etc. BBNL has been entering into many such contracts. There are chances of litigation on various issues including contractual obligations arising thereto. BBNL being a very lean & thin organisations, most of its works depends upon out-sourcing through contract management, therefore, the risk of contract management assumes much greater significance for BBNL.

(iii) Technological obsolescence Risks: Technologies in telecom sector is changing very rapidly. Thus reduced cost of entry may cut down the CAPEX for new entrants in the sector.

(iv) Network Operation related Risks: Most of the BBNL OFC network is being laid in the rural / country-side which is spread across length & breadth of the country, where there is no proper infrastructure / roads are available. Moreover, because of high infrastructure development activities, which is also without any proper control / coordination from the civic agencies, there is likelihood of damage to BBNL OFC network, which may disrupt the services being provided by BBNL. In addition, the restoration of services because of scattered nature of the BBNL network and poorly availability of proper civic infrastructure, there may be long travel time and longer restoration time. Thus associated risk in operation & maintenance of services.

Moreover, maintenance of NOFN network is envisaged to be done by three PSUs namely BSNL / Railtel / PGCIL. The performance of these CPSU in maintenance of NOFN network will have the bearing on the operation on the network and hence the services related risks.

(v) IT Security related Risks: Factors relating to protection and maintenance of company's IT assets from external threats/thefts such as hacking, spoofing or any other cyber-crime which may not only affect the operational systems but may also result in loss of business opportunities as well as customer confidence in the BBNL services.

(vi) Property related Risks: BBNL is envisaged to have its network / operations across the country, has vast network related immoveable properties comprising of OLTs, OF Cables, etc. Proper security, prevention of loss and timely repairs and replacements is related risk to BBNL.

6.4 **Regulatory Risks:** Telecom Service is a licensed industry and is subject to frequent regulatory interventions and so is BBNL. The regulatory decisions/interventions pose a major risk on the operational and financial aspects of the core business segment and its competitiveness vis-a-vis other operators.

6.5 **Policy Risks:** Telecom services are governed by the license conditions imposed by the licensor i.e. the Government. Any change in Government policies like license conditions, regulatory compliances, change in tax structure, imposition of new levies, taxes pose a serious risk on the operational aspects and competitiveness of its core business segment. Moreover, BBNL is funded by Government of India through USOF. So any change in Government policy may have high impact on the working of BBNL and thus associates risk.

6.6 **Financial and Liquidity Risks:** Such types of risks are common and associated with every business enterprise and affect BBNL as well. These risks are:-

(i) **Credit Risks:** Comprising of risks involved in revenue collection from the clients, collections from bankers, collection of IUC charges and other receivables from other private and public telecom licensees.

(ii) **Cash/Reserve Management Risks:** Falling rates of interest and Government's policies on investment decisions pose risk to BBNL as well.

6.7 **Other Risks:** The NOFN project is envisaged to be funded by the Government through USO fund. Release of fund by USOF / Government on time is very important for timely completion of the project. Non-release of fund / delayed release of fund by the Government may result in non-payment to the contractors & vendors, which ultimate leads to delay in completion of the project.

7.0 Risk Management Policy:

The basic tenets of the risk management requires;

- Integration and alignment of the risk management system with the corporate and operational objectives and;
- That risk management is undertaken as a part of normal business practice and not as a separate task at set times.

Considering the potential risks enumerated in Para 6 and the basic principles mentioned above, the committee proposes the following ERM policy for BBNL.

7.1 Identification of Risks:

As an ongoing exercise, each functional head should at first instance; identify the risk involved in his area of activity as lead indicator and plan to manage such eventualities.

For identification of the risks, the respective units may require information on many counts such as;

(a) Details of Assets information such as original cost, useful life and Net depreciated value of assets etc.

(b) Information regarding service delivery

(c) Product/technology/service information and chances of liability

(d) Liability information such as liability towards the employees/ the public/governmental/regulatory authorities etc.

(e) Information with respect to competition and regulatory environment etc.

To enable the units in the aforesaid exercise, it is imperative that the company has strong and secure IT systems like ERP, Intranet, OSS & BSS having applications like Billing, CRM, Provisioning, Accounting, Revenue Assurance, Fraud Prevention Systems, Unified Network Management System (NMS) across services for end to end Service delivery and Service Assurance Management, etc. and it maximizes the use of Online systems in administration as well as in operations with enhanced computer literacy of the employees /agents at all levels. BBNL is already using one project monitoring tool "Primavera". The system can be effectively used as one of the tool for identification of risks in BBNL.

7.2 Management & Treatment of the Risk (Mitigation of Risks):

Once identified, the Risk could be dealt with, broadly, in the following ways;

(a) Risk Avoidance: As it is a rare possibility to avoid a risk completely, unit head should evaluate and suggest feasible measures for avoidance of the risk at the planning stage itself based upon the information. For example, timely action by the operational and maintenance can help avoiding the risk of disruption of services in many of the cases. Similarly, timely compliances with the regulatory and licensing instructions/directions will help saving undue penalties and loss of image.

(b) **Risk Reduction:** Physical risk reduction or loss prevention is the best way of dealing with any risk situation and usually it is possible to take steps to reduce the possibility of loss at the planning stage of any new project, when considerable improvement can be achieved at little or no extra cost. The risk prevention or reduction should be evaluated in the same way as other investment projects e.g. while planning for procurement of a product based on a specific technology, it should be ensured that the technology is proven and there is demand for such product. Further, the delivery of such product/service and after sales maintenance arrangement are well coordinated with the market requirements and the organizational needs to avoid any liability towards the Customer.

(c) **Risk Retention:** This is usually practiced to take care of the losses ranging from minor to major arising from break-down of operations. This method for containing losses may be considered only as part of deliberate management strategy after conscious evaluation of possible losses and causes e.g. while taking a decision to introduce a new tariff scheme, a conscious decision may be taken by the company to bear the loss of potential revenue anticipated in case of poor response from the customers. But taking such decisions by remaining ignorant towards the developments on market/competition front may not prove good.

(d) **Risk Transfer:** This method of dealing with the risk pertains to the assignment of the cost of potential losses to the third party/other person. The risk transfer method could be effected either by a insurance contract or by a specific stipulation in any Contract other than Insurance contract e.g. in a contract for outsourcing any activity the liability towards the employees of the Contractor or the public or public authority must lie with Agency or the Contractor rendering/performing such outsourced activity. The high value assets may be insured against theft/fire etc.

7.3 **Besides** the general treatment given to risk management, risk related to different categories can be managed further by following the steps listed below:

7.3.1 **Industry & Services Risks:** To take care of the Industry & Services Risks, as enumerated in para 6.0 above, it is proposed that while executing / preparing / submitting / recommending any plans, such as - Long Terms Plans, Strategic Plans; procurement, launch of new services, expansions / capacity augmentations, technological change-overs, new tariffs, bundling of freebies with the connections as part of the advertisement campaign, competitive schemes etc., the "Risk Management Administrator" shall ensure that the following issues have been fully examined keeping in view the paramount interests of the company:-

- The policies are futuristic, market and consumer oriented;
- Techno-economic viability and techno-commercial issues have been examined including break-even analysis of the proposal;
- The business plan prepared at the time of initiation of procurement process for equipment for launch of any service should be an integrated-one encompassing business processes for sales, customer acquisition, provisioning, delivery billing, service assurance, customer care, requirements of Law Enforcing Agencies;
- The Proposal is in conformity with the provisions of the applicable laws such as MRTP, Competition Act, Regulatory Framework etc.;
- The Right of way issues have been taken into consideration;
- The polices enshrine sound customer service relationship maintenance provisions and aim to retain the customer base; and rope in more customers;
- Dual technology deployment for the same line of business service utility on the same target segment and geographical spread is critically examined to avoid duplicate expenditure and loss of focus.
- Projected earnings are realistic after taking into account the market conditions & likely level of competition in the product category.
- Leverage IT to reduce operational costs thus increase profitability. IT systems, to take care of all these services, shall be identified in the beginning itself.
- Avoidance of multiplicity of IT systems and leverage on existing systems on incremental CAPEX instead of going for too many Greenfield IT systems in silos.

7.3.2 **Management and Operation Risks:** To deal with the Management and Operation Risks enumerated in para 6.0 above, the "Risk Management Administrator" must ensure that in addition to the issues stated in para 8.3 above, the following issues have also been examined and taken care of:-

- That Proper security of all the Assets of the Company is secured and ensured;
- That the assets of the company have been kept free of illegal encroachments;

- That the physical verification of all the immovable assets is being done regularly;
- That proper and timely re-conciliation of balances is being undertaken;
- That regular and constant steps are taken to prevent cause of any damage to the assets by the third parties;
- That the provisions of the applicable laws of the Central/State/Local bodies have been complied with;

7.3.3 **Contract Management related Risks:** The Contract Management related Risks under the category of Management and Operation Risks assumes greater significance in its application in the corporate set up and includes everything under a unit, i.e. court-cases, un-implemented court decisions, Agreements / Contracts / MoUs entered with the Central / State Governments / Local Bodies, Individuals / Association of persons / Firms / Body corporate(s) / Authorized Persons etc.; for issues related to procurements, AMCs, VAS Agreements, Inter-Operator related issues, Networking related issues, Marketing /advertisement related, Consultancy Services related, with bankers, outsources works such as cable laying, house-keeping services, vehicle hiring, hiring of premises for office / ONT /OLTs etc.; Personnel Management Related; Consumer Grievances Related matter and host of other activities, which assume the mantle of a binding contract by covenants. BBNL, an instrumentality of State, is amenable to the writ jurisdiction. Further, in outsourced works, BBNL steps into the role of principle Employers and thus the management become responsible for the lapses of other agency/contractor. Some of the risks emanating under the Contract management area are:-

- Bidders reaching courts, forcing procrastination of procurement schedules;
- BBNL being implicated as Principle Employer for violation of the Labour law provisions by the contractors/agencies;
- Agencies / Vendors / Contractors committing IPR Rules Violation, Information Technology Act violations, leading to implication of BBNL in cross litigations;
- Any act of commission / omission by the Agencies / Contractors / Franchisees / Sales Agents attracting the provisions of MRTP Act, Competition;
- Bills receivable getting locked up, leading to loss of interest and principal and consequential loss of profit margins; etc.

To take care of above issues, Risk Administration Manager shall ensure the followings keeping in view the paramount interest of the company:-

- Monitoring all the on-going Agreements /Contracts /MoUs /Litigations / unimplemented Court Decisions /Arbitrations Awards and other related issues regularly and meticulously;
- Briefing and keeping the next below hierarchy informed of the above, its impact on the business and all other relevant details;
- To find out and intimate changes/deficiencies, if any, to the Management
- Take orders for corrective action;
- Resort to remedial action immediately like sending reminders, notices for recovery of dues; etc.
- Decide further course of legal action;
- File Caveats immediately to pre-empt any ex-parte stay orders;
- Proceed further as directed by the Management or the Court as the case be;

7.3.4 **Personnel Related Risk**: For taking necessary preventive steps in regards to the Personnel related Risks, it has to be ensured that applicable provisions of all the labour welfare legislations, orders for providing reservation in employments to various categories of employees have to be compiled with. Adequate care is required to see that all the legal notices and representations are settled at the earliest, to avoid litigations, arbitration proceedings / notices, arbitration awards / unimplemented judgements require constant monitoring so as to avoid loss of time in limitation periods for filing appeals. Time-barred claims, Contempt Notices, Notice from Quasi-judicial forums are some of the examples of this type of risk. Therefore, while executing / preparing / submitting / recommending any matter on the above subject, Risk Administrative Manager must ensure that all the relevant issues in this context have been examined very well keeping in view the paramount interest of the company.

7.3.5 **The Regulatory and Policy related risks:** The Regulatory and Policy risks pose a major threat to the commercial viability of the telecom business, for example, any changes in the excise/import tariffs affecting the prices of equipment being procured; any retrospective change / prospective change; any regulatory conditions / amendments to the Telegraph Act effecting the current contracts/agreements; composition of the other body corporate with whom the company has current contracts /agreements and its impact on the revenues/liabilities and competitiveness of the company. It is therefore, imperative that the concerned Risk Management Administrator must examine the techno-commercial, financial and legal implications of all such regulatory and licensing issues, orders / directions / decisions of Licensing Authority, TRAI, TDSAT or any other court or a statutory body and keep the management fully informed.

7.3.6 **Financial and Liquidity Risk:** The Financial and Liquidity Risk, as enumerated in para 6.0, can be mainly categorized as credit Risk, Financial Solvency and Liquidity Risks and Cash Reserve and Management Risks.

(a) **Credit Risks**: The Credit Risks comprise of risks arising in the sphere of "revenue collection", which would be Bills Receivable, from bankers, interests, Short-Term and Long-term investments with the bankers and financial institutions, dues from other operators and various types of other dues from other persons /operators, as per respective agreements. While executing "Management Administrator" shall ensure that the following issues have been examined the paramount interest of the Company:

- Possibility of misappropriation of cash at collection centres;
- Possibility of receipt of fake currencies in collection centres;
- Bouncing of cheques of consumers/other operators;
- Delay in transfer of funds to the Revenue Collection Accounts by the authorized bankers under i-banking/e-commerce leading to loss of interest;
- Delay/Non reconciliation of accounts with the bankers, other operators and consumers, resulting in blocking of receivables.

(b) **Financial Solvency and Liquidity Risks:** For a very big organization spread across the country, that too in service provision segment which depends on timely realization of the dues, the Financial Solvency and Liquidity Risks assume greater significance. While executing / pre-paring / recommending any matter on the above subject, Risk Management Administrator shall ensure that the following issues have been examined:

- Slow realization of current assets and advances, presenting an adverse liquidity ratio;
- Overall financial solvency ratio going below the average industry levels;
- Comparative ratio analysis showing declining trends

(c) **Cash / Reserves Management Risks:** The Cash / Reserves Management Risks of a company depends on the company policies and the influence of the Government's policies and guidelines on investment of surplus funds of the CPSUs, inflation trends, Foreign Exchange fluctuations and RBI's policies on Interest Rates. The "Risk Management Administrator" must keep a close watch on these issue / events and keep the management apprised of any such risks.

7.3.7 IT Security Risk: The IT Security related risks include financial loss, public reputation, loss of public confidence, non-compliance to regulatory requirement etc. In order to minimize this risk, IT Security Policy should be implemented in the organization. The security policy should be implemented for all Data centres to BBNL. All security programs should be audited on a routine and random basis to assess their effectiveness. The users should be given awareness about the security issues and regular trainings should be imparted to the users.

7.3.8 Risk Management Administrators: Since the policy requires for integration and alignment of the risk management system with the corporate and operational objectives, Functional head / Business Heads in the field units may be designated as the "Risk Management Administrators" for this purpose.

Further to collaborate & coordinate among the various units of BBNL, one unit head under each functional Director of Board will be the "Risk Management Administrator" in BBNL i.e. Project Management Cell / Head will be the "Risk Management Administrator" under Director (Plg), Operation Management Cell / Head will be the "Risk Management Administrator" under Director (O) and CGM (Accounts) will be the "Risk Management Administrator" under Director (Fin). Job of risk management in BBNL will be handled by the Level-I executives and will not be passed down to Level-II executive.