

# *Risk Management Policy*

*Haryana State Electronics Development  
Corporation Limited  
(HARTRON)*



**Haryana State Electronics Development Corporation Limited.**

(A State Government Undertaking)

SCO 111-113, Sector 17-B, Chandigarh

Phone: 0172-2722961

Fax: 0172-2705529

Website: [hartron.org.in](http://hartron.org.in)

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## 1. About Corporation

Haryana State Electronics Development Corporation Limited “HARTRON” is an ISO 9001-2000 Certified State Government nodal agency established as a registered Company under the Companies Act, 1956 in the year 1982. HARTRON is nodal agency for promoting Information Technology, Electronics and Communication Technology in the State of Haryana. It is committed to conduct activities that bridge the digital divide and ensure that technology enables each individual to contribute to the State’s economy. The corporation is placing major thrust on application ICT in the Government and playing a pivotal role in making State’s vision of Paperless & Faceless governance a reality.

HARTRON is implementing the vision of Digital India and is playing a pivotal role in realizing this vision of Digital India which includes Digital Literacy, G2C services and IT/ITes/Telecom skills. HARTRON has undertaken Optical fiber and endpoint equipment under BharatNet Project in 6188 Gram panchayats and created 16,141 Atal Seva Kendras to deliver B2C & G2C services. The other initiatives being undertaken by HARTRON in line with Digital India are Saral Portal for total 425 G2C services, Unified Mobile Application for New-age Governance (UMANG), rolling out e-office, e-governance initiative like CM Window, CM e-Dashboard, e-district and social security pension scheme through Direct Benefit Transfer (DBT) Scheme.

HARTRON is also contributing towards Digital Locker Integration, Rapid Assessment System, Cashless Haryana, Startup Ecosystem, Software Technology Parks and software exports. In fact, HARTRON was the first organization in the country to undertake the voter ID cards project. The project involved the largest database application in India, wherein the details of electors were to be maintained along with their photographs.

HARTRON, the nodal agency of State for promotion of Information Technology, Electronics and Telecommunication has taken up various prestigious projects in

hand which includes creation of specialized labs in the field of Fiber Optics, Robotics, IoT (Internet of Things) under ESDM Scheme, Electronics & ICT Academy, CSC SPV Academy, Women Startups incubator, Geo governance & CCTV integration in major cities and provide district control rooms as well as State Control room to ensure citizen safety and improve law & order.

To spread IT culture in the State of Haryana, the Corporation in the month of April, 1994 launched its Franchise Scheme to impart Computer Education in the State. Under this scheme, the Corporation has created a chain of Franchise Centres by the name of HARTRON SKILL CENTRES (HSC) and are located throughout State.

## 2. Background

As per the Companies Act, 2013, it is required that:

- a) To include a statement in the report by the Board of Directors (“**Board**”) of Haryana State Electronics Development Corporation Limited (“**HARTRON**” or the “**Corporation**”) 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 corporation (as per Section 134(3)(n))
- b) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems (as per Section 177(4)(vii))
- c) The independent directors shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible (Schedule IV, Point II(4))

### 3. Objective and Purpose

#### 3.1 Purpose of the Policy

All activities undertaken by HARTRON carry an element of risk. The exposure to these risks is managed through the practice of Risk Management. In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Company. This policy outlines the Company's risk management process and sets out the responsibilities of the Board, the Audit and Risk Committee, the Managing Director, senior management and others within the Company in relation to risk management.

Keeping the objectives of Corporation in mind, a risk management policy has been framed, which makes an effort to ascertain the key risks which are impacting/ may impact the business objectives of the Corporation and tries to develop the strategies to ensure timely reporting, evaluation, and monitoring of key risks.

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in identifying, evaluating, reporting and managing risks associated with the business.

For achieving the key objectives, the policy establishes a structured and disciplined approach to Risk Management, including the development of the Risk Matrix, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

- To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, mitigated, and managed

- To establish a framework for the company's risk management process and to ensure companywide implementation.
- To ensure business growth and financial stability
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

#### **4. Understanding Risk Management**

Risks have been described in terms of combination of the consequences of an event occurring and its likelihood of occurring. Risk is the chance of something happening that will have an impact on objectives and risk management can be described as the culture, processes and structures that are directed towards realising potential opportunities whilst managing an adverse effect. HARTRON's risk management system is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum. The existence of risk presents both threats and opportunities to HARTRON. Risk owners have been assigned responsibility for the identified risks in the Risk Register. HARTRON's risk assessment matrix is used as the benchmark in planning and implementing the risk management measures. It takes into consideration the nature, scale and complexity of the business.

The risks involved in a Services Company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company formally reviews such risks at least annually.

All proposals reviewed by the Board include a consideration of the issues and risks of the proposal. The potential exposures associated with running the Company are managed by the Directors and Company Secretary who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.



## **5. Risk Management Approach**

The approach for risk management is composed of three major components namely Risk Governance, Risk Identification and Risk Assessment & Control. Risk management approach may include a set of coordinated activities, which includes identification, assessment, mitigation and management of a risk.

### **5.1 Risk Governance**

The responsibility of managing the risk on various parameters and ensuring the implementation of suitable risk mitigation measures is of the functional heads of the corporation.

A comprehensive risk governance structure is established to communicate the risk management approach throughout the organization by clearly defining roles and responsibilities for the management of potential risks on a day-to-day basis.

To effectively develop and implement a risk management framework, a risk assessment committee shall be constituted. The risk assessment committee shall identify the key risks and report it to the risk management committee, which in return shall ensure that necessary risk mitigation/ management activities are undertaken in accordance to the policy.

RISK GOVERNANCE STRUCTURE

RISK MANAGEMENT COMMITTEE

Managing Director

Company Secretary

Additional Managing

AGMs of all Divisions

Project Manager  
(Skill Dev-1)

Senior Engineer  
(Project -1 and Skill Dev-2)

RISK ASSESSMENT COMMITTEE

Managing Director

AGM (C&C)

Project Manager (Skill  
Dev-1 & Project-1 Div)

AGM (Hardware

AGM (Software)

AGM (Personnel &  
admin Div)

Senior Engineer  
(Project - 1 and Skill Dev -  
2)

AGM (Finance &  
Accounts )

## **5.2 Risk Management Committee**

The Company shall formulate a committee, the Risk Management Committee, which shall be overall responsible of overseeing and reviewing risk management across the Company. The terms of reference of the Risk Management Committee are as follows:

### **5.2.1. Constitution of Risk Management Committee**

- a) Managing Director, HARTRON - Chairman
- b) Additional Managing Director, HARTRON
- c) AGMs of the key divisions
- d) Company Secretary
- e) Project Managers (Skill Dev -1 & Project 1 Division)

The key role of the risk management committee is to align the strategic objectives of the organization with the businesses/ operations in order to achieve the desired outcome.

### **5.2.2. Roles and responsibilities of the Risk Management Committee**

- a) Review and approve any risk related disclosure in any public document
- b) Review the report submitted by the risk assessment committee and take remedial measures to address the identified risks
- c) Review of strategic risks arising out of adverse business decisions and lack of responsiveness to changes
- d) Review of operational risks
- e) Review of financial and reporting risks
- f) Review of compliance risks
- g) Review or discuss the Company's risk philosophy and the quantum of risk, on a broad level that the Company, as an organization, is willing to accept in pursuit of stakeholder value

- h) Review the extent to which management has established effective enterprise risk management at the Company
- i) Inquiring about existing risk management processes and review the effectiveness of those processes in identifying, assessing and managing the Company's most significant enterprise-wide risk exposures
- j) Review the Company's portfolio of risk and consider it against its risk appetite by reviewing integration of strategy and operational initiatives with enterprise-wide risk exposures to ensure risk exposures are consistent with overall appetite for risk
- k) Review periodically key risk indicators and management response thereto
- l) Ensure that appropriate systems/mechanism is in place to manage identified risks, so that the organizations assets and reputation are suitably protected

### **5.3 Risk Assessment Committee**

#### **5.3.1. Constitution of Risk Assessment Committee**

- a) Project Managers (Skill Dev -1 & Project 1 Division)
- b) AGMs of the key divisions
- c) Senior Engineers

#### **5.3.2. Roles and responsibilities of the Risk Assessment Committee**

- a) Identify, evaluate, assess and quantify the key risks anticipated for the organization
- b) Appoint the risk controller in their respective division to address the risks
- c) Suggest mitigation measures to the Risk controllers
- d) Ensure that effective risk mitigation plans are in place and the results are evaluated

- e) Report key risks being faced by the organization along with their mitigation strategies to the risk management committee
- f) Ensure that a comprehensive risk register is prepared to keep a track of all the risks being faced under multiple divisions
- g) Prioritize the risks basis the ratings allocated to the identified risks
- h) Provide support to the risk management committee to enable informed decision making regarding resolution of the identified risks
- i) The risk assessment committee shall review the risks and their respective mitigation measures and decide upon the most critical risks that shall be reported to the risk management committee on a bi-annual basis
- j) Once the risk assessment committee takes the decision on the risks and their proposed mitigation measures, the same shall be recorded in the risk register and the concerned risks along with their mitigation plans shall be handed over to the risk controller for implementation of the mitigation plans on a quarterly basis
- k) The risk assessment shall also report the implementation of the risk mitigation plans of corresponding risks to the risk management committee on a bi-annual basis

#### **5.4 Risk Controller**

Risk controller shall be the Division Head of various divisions of the HARTRON. The Risk controller shall have the key role of identifying the risk associated within their respective division. Additionally, the Risk controller shall develop and monitor the mitigation strategies for the identified risks.

**5.4.1. Roles and responsibilities of the Risk Controller**

- a) Identify the new risks relevant to their respective areas
- b) Develop mitigation measures and action plan to counter the identified risks
- c) Ensure implementation of the risk mitigation plans by coordinating with different divisions
- d) Report key risks along with the possible mitigation plans to the risk assessment committee
- e) Provide the status of risks and mitigations measures taken, to the risk assessment committee.

## 6. Risk Assessment

As a pre-cursor to risk management, a comprehensive risk assessment framework is put into place for effective evaluation of the risks at hand. Responsible managers across the corporation assess internal and external risk factors on a periodic basis:-

- 1) Risk Identification and Categorization - The corporation's plausibility towards exposure to uncertainty can be categorized as the following
  - a) Strategic Risks
  - b) Business Risks
  - c) Operational Risks
- 2) Risk Description - A method to systematically document the identified risks in a structured format
- 3) Risk Estimation - It activity shall be performed by the responsible team to ascertain the impact of the risk either by quantitative, semi-quantitative or qualitative approach.

### 6.1 Identification and categorization of Risks

Risk may be expressed as the occurrence of an unexpected/ probable event and its consequence with an adverse impact. If not addressed timely, it may prevent value creation or erode existing value of the organization.

Probable risks that the corporation may be exposed to, are broadly categorized into the following categories:

**6.1.1 Strategic Risks** - The risks that may be classified as strategic risks may occur due to any change in circumstances of external events & trends (like Government Policy, Competition, change in the

stakeholder's requirement etc.) that may have an impact on the overall growth of the organization

**6.1.2 Business Risks** - The risks which are directly associated with the organization and have an adverse/ negative impact on the organizations capability to execute critical projects and organizational tasks, thereby affecting the company's short-term performance

**6.1.3 Operational Risks** - The risks covered under this category are the ones which arise due to operational uncertainties like lukewarm/ hostile attitude of the central/ state government towards a certain project.

**6.1.4 Political risk** – changes in the political situation and regulatory environment in the state in which the Company operates.

### **Illustrative Risks pertaining to HARTRON**

#### **Strategic Risks of HARTRON**

1. Dependency on policies devised by the central/ state government
2. Reputational Damage
3. Failure in implementing its current and future strategic plans
4. Loss of revenue due to competition from GeM and other PSUs

#### **Business Risks of HARTRON**

1. Insufficient systems capacity and system failures
2. Attrition of Manpower/ resources
3. Insufficient systems capacity and system failures
4. Security risks and cyber-attacks
5. Significant and rapid technological change
6. Low Business in R&D



## Operation Risks of HARTRON

1. Shortage of skilled & experienced technical manpower for execution of the project
2. Majority of human resources are on Contract
3. Release of timely payments by the State Government to cover the financial commitments of the corporation
4. Increase in rental of the office premises.
5. Increase in cost of hiring of contractual staff.
6. Managing projects like SWAN & SDC with no or a little funding support from the State Government
7. Time over-run of projects
8. Delay in adoption of new technologies and innovative techniques.
9. Changes in policies of manpower hiring.
  - a) Changes in Govt. decisions.
  - b) Changes in various policies and methodologies.

### 6.2 Risk Description

Risk description would help in listing the nature of the risk along with its likely impact and possible risk mitigation options. With Risk description, all the potential risks can be listed and documented in a structured manner for its timely redressal.

The below mentioned format shall be used to detail the identified risk and brought to the knowledge of the risk management committee:

S. No.	Attribute	Description
1.	Risk Details	A short description of the Risk
2.	Type of Risk	Strategic/Business/Operational
3.	Stakeholders	List the stakeholders that would be impacted with the adverse effect of the risk <ul style="list-style-type: none"><li>• Risk Controller</li><li>• Division head</li></ul>

4.	Quantification	The extent of impact of the risk. Quantitative cost of impact, if risk occurs
5.	Risk Tolerance and Triggers	<ul style="list-style-type: none"> <li>• Probability of occurrence and size of potential losses</li> <li>• Acceptable of potential &amp; financial impact of risk on the business value</li> </ul>
6.	Risk treatment and control mechanisms	<ul style="list-style-type: none"> <li>• ways by which the risk is being managed currently</li> <li>• Level of conviction of the current control mechanism</li> <li>• Defining of the control mechanism for monitoring and review of the process of treatment and control</li> </ul>
7.	Risk Mitigation	<ul style="list-style-type: none"> <li>• Measures/recommendations to reduce the occurrence and impact of the identified risk</li> </ul>
8.	Risk Mitigation Strategy	<ul style="list-style-type: none"> <li>• Identification of responsibilities for developing a strategy for monitoring, controlling and mitigating the identified risk</li> </ul>

The Risk Management Committee shall put up the risks to the knowledge of Managing Director to earlier.

## 7. Risk Mitigation Strategy

There are broadly four quadrants under which the risk mitigation strategy in an organization may be developed. Which strategy is to be adopted and how, is completely dependent on the merit of the risk for which the risk mitigation strategy shall be adopted. Some risks may require a combination of strategies to address a particular risk, whereas others may require adopting a single strategy with a single outcome. The four quadrants for risk mitigation strategy are defined as under:

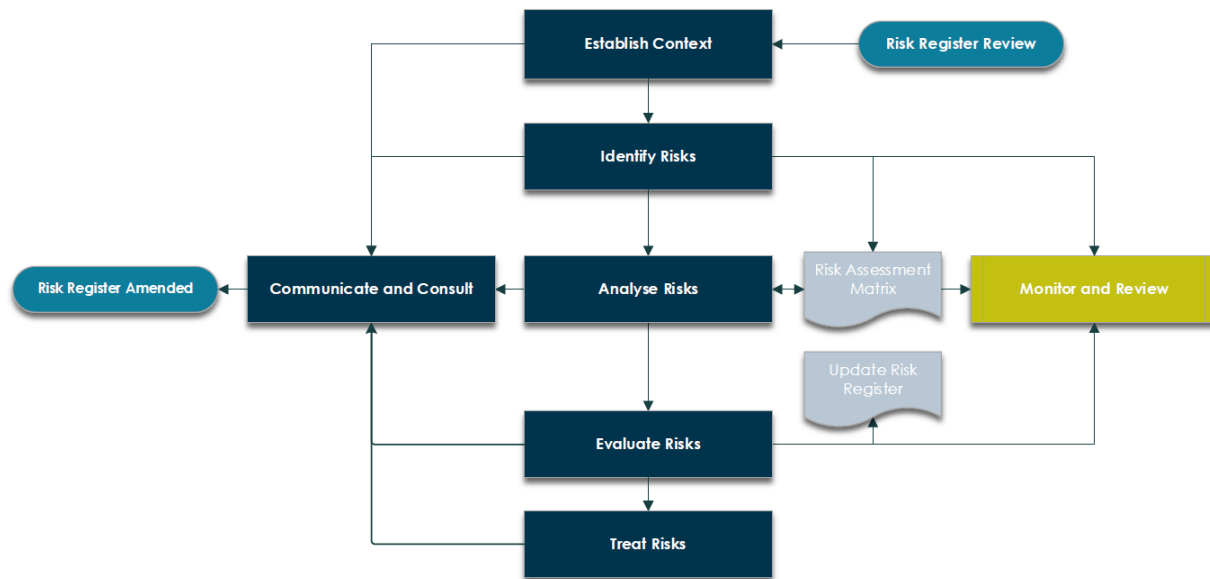
- **Risk Avoidance** - Usually by not performing the activity, which includes a potential risk, and as a result avoid the existence of risk as whole. Avoidance of risk may be considered the easiest way for eradicating the possibility of encountering risk but by avoiding risk, the organization may lose potential gain that taking the risks might have allowed.
- **Risk Transfer** - Mitigating the impact of the risk by having a third party shouldering the responsibility of the risk either partially or fully by contract.
- **Risk Reduction** - Keeping in place certain control mechanism to reduce the diversity of the loss. This way in which the risk may be brought to a certain level of tolerance by either reducing the likelihood of occurrence of the risk or devising contingency action plan to reduce the impact of the risk.
- **Risk Retention** - Risk retention may be termed a viable option for accepting short-term losses where the cost insuring the risk would be greater in the long run over the total loss sustained.

The risk assessment committee may be entrusted with the responsibility of taking decision on the tolerance of risk as a mitigation measure. Accordingly, the rationale behind the decision shall be duly documented.

Under such circumstances, the risk is required to be timely monitored and contingency plans shall be put in place in the event of risk occurring.

## 7.1 Risk management procedure

### Summary of procedure



## 7.2 Risk management process

The risk management system is dynamic and is designed to adapt to HARTRON's new developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks.

The risk management system is based on a structured and systemic process which takes into account HARTRON's internal and external risks.

The main elements of HARTRON's risk management process are as follows:

- **Communicate and consult** - communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- **Establish the context** - establish the external, internal and risk management context in which the rest of the process will take place - the criteria against which risk will be evaluated should be established and the structure of the analysis defined.

- **Identify risks** - identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of HARTRON's objectives.
- **Record risks** - document the risks that have been identified in the risk register.
- **Analyse risks** - identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk by analysing the range of potential consequences and how these could occur.
- **Evaluate risks** - compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- **Treat risks** - develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
- **Monitor and review** - it is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and effectiveness of treatment measures need to be monitored so that changing circumstances do not alter priorities.  
HARTRON's risks may come from any internal or external event which, if it occurs, may affect the ability to efficiently and effectively operate in the financial services industry:
- **Internal risks** - those risks that specifically relate to HARTRON's business itself and as such as generally within its control. They include risks such as employee related risks, strategic risks, and financial risks.
- **External risks** - those risks that are outside the control of HARTRON. They include risks such as market conditions and legislative change.

**8. Risk Reporting Structure & periodicity**

**First Line of Reporting**

The Risk nodal officer shall send the report on status of the risks to the respective division heads on a quarterly basis and the division heads shall report the risk to the Risk Assessment Committee.

**Second Line of Reporting**

Risk Assessment Committee shall report the risk to Risk Management Committee.

**9. Policy Review and Amendment**

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of Corporations. This Policy can be modified/amended at any time by the Board of Directors of the Corporations.

**10. Applicability**

This Policy applies to all areas of the Corporation's business operations.