RISK MANAGEMENT

Risk:

As per oxford Dictonary:

→ "Risk is the exposure to the possibility of;
- Loss or;
- injury or;
- other adverse or;
- unwelcomed Circumtances or;
- Chance or;
- situation

involving such a possibility."

→ Risk is inherent in every business and need to be willing to take Risk as without Risk there can be no Meaning of Gain.

→ It is appropriate to say that without proper Risk Management there is no sustainable Gain is possible.

Risk Management: – Q.1.07 T.S

↳ procedure that help org
- Identify
- Understanding
- assessing
- Managing Risk → Will Increase

Chance of success ↑

Minimise Consequance / Chance of failure.

→ Effective RM's helps Company / org → validates its compliance with Corporate Governance and reassure stakeholders and society at large that business is being managed propely.

→ It is relevent for all org large or small.

→ ERM's promotes
- Accountability
- performance evaluation
- ↳ Compensation

& Can boost productivity of entire org at all the levels.

→ Better Risk Management provides early signals so that some may be adressed on time.

→ Risk Management requires detail understanding, knowledge of org; (internal and external) and the process involved in the business.

→ It is a essential management tool for protecting the assets of the company so they can be used productivel

→ It must be part of corporate strategy.

Advantages of RM's:-

1. play a vital role in strategic planning.
2. Saves a large amount of money (cost saving)
3. Creates solid contingency plan.
4. Helps in planing and preparing a plan for the opp. that arises during a project or business.
5. Establish Realibility among stakeholders and increase Reputation of org.
6. Establishes greater dependability among interested Parties.

Steps in RM's Process :-
- Risk Identification.
- Rick Analysis.
- Risk Assessment.
- Handling of Rick.

Q.2 of T-5

1. **Risk Identification:**

→ It is a first stage of Risk Management and shall be done at the starting of the project | business.

→ If Managers are not able to recognise all the potential losses; Gain or Risk that is threat to the firm | org then they can't be able to control these unidentified Risk.

→ Classification of Org Risk into various categories is the 1st Responsibility of RM.

→ After that establish a strong survillance area both inside and outside of the org.

→ Normally the Result of the RM's must document in a Risk Register and this info can be used in a Risk Response.

→ it is a Iterative process (through out life cycle of project).

Purpose:

1. Ensure that all the Risk detected & identified.
2. The purpose is to maximise the pocitive impact of the project and minimize the Risk and threats.
3. It reduces the No. of surprises and improves the chances of success.

④Doc'ing Assesing⑥ ① Creating

Nemonics:- DDA की Audit CAG करेगी - Q: 3 of 7.5

③ Applying ② Geathring

Process of Risk Identification:-

1. Creating a systematic process:- Begins with project objective and success factor.
2. Geathring Infoⁿ:- Reliable & high Quality infoⁿ is essential.
3. Applying RI's tools & techniques:- choice of technique will depends upon type of Risk activities & org. maturity.
4. Documenting:- Doc'ed in Risk Register.
5. " RI's process:- process should be recorded for future ease.
6. Assessing process effectiveness:- Critically assessed after the project is completed.

Seven Identification Essentials:-

Memory technique: TRP → ADR Event

① Team participations:-
→ face to face interaction b/w project managers.

② Repetition:-
→ Keeping identified Risk current & updated means the system is focused on mitigation the most prelevent issue.

③ Approach:
→ Distinct approaches to best combat identification failure.

④ Roots and symptoms:-
→ Essential to find the root caused of risk instead of mistaking them with symptoms.

⑤ Project Defition Rating Index:-
→ It helps in develop mitigation programms for high risk areas.
→ It provides further details of individual risk and their magnitude.

⑥ Documentation:-
→ Consistant and Exhaustive documentation leads to comprehensive and realiable for projects.

⑦ Event Trees:- (imp)
→ Commonly used in realibility studies & Probabilistic risk assessement.
→ It represent an event followed by all factor & faults related to it.
→ Top of the tree is the event & it is supported by any condition that may lead to that event, helping with likelyhood visibility.

(2):- Risk Analysis :-

→ After identification; it is the second stage to analyzing the Risk

→ To carry out Risk Analysis; first identify the possible threats then estimate the impact of these threats in a monetary term.

→ The Analysis should be specific and industry specific.

→ it can be complex as it requires detailed information such as; project plan; financial data, security protocols; marketing forcast etc.

Use of Risk Analysis: Risk Analysis is useful in many situation:-

(1) To help in Anticipating and ~~natural~~ neutralizing problems.
(2) Deciding whether or not to move forward with a Projects.
(3) Help in improving safty and managing potential Risk in the workplace.
(4) planing for change in environment ; such as New competitors coming into markets change to Government Policy.
(5) Help in taking Preventive step to manage the Risk.

Process of Risk Analysis:

(1) Identify Threats:-

→ first step to Identify the Poisible threats that can might face:-

→ for instance; they could be;

(1) Human :- Illness, death, Injury.
(2) Reputational :- Loss of customer, employee, confidence.
(3) Project :- Going over budget, experiencing Issue.
(4) Financial :- Business failure, int rate changes; non avail of funding.
(5) Technical :-
(6) Natural :- ~~weather~~ weather, natural disaster, disease.
(7) Political :- changes in tax, Public opinion, Govt Policy.

Approaches can be used to carry out through analysis:-

(1) Scoot Analysis
(2) Think about System, Process and Structure.
(3) Input from team member and discuss other in org who run similar Projects.

Qtr. 9 of T.S.

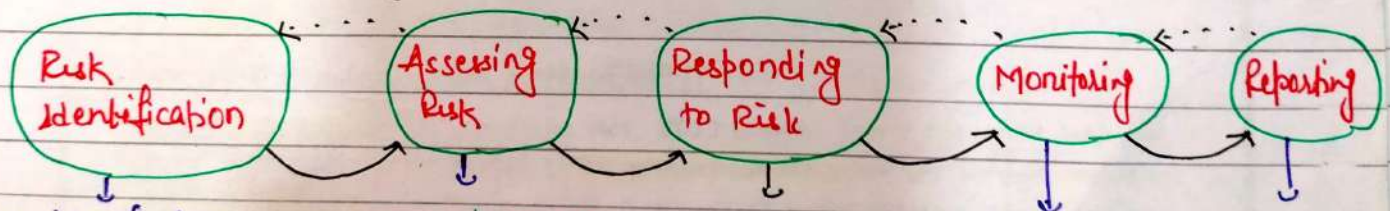
Fraud Risk Management:-

- is a
  - deliberate actions
    - to deceive another person
    - with the intention of Gaining something
  - Any behaviour by which one person
    - ↓
    - Intends to Gain a dishonest advantages over another.

→ "A structured approaches to lowering fraud in a institutions is called fraud Risk Management" so that with the help of FRM fraud can be discoverd at the early stages.

→ Identified / Identifying internal and external fraud Risk in a firm ⟶ then
- ↳ Creating an antifraud programme in order to stop fraudulent action before they happen Constitute fraud Risk management.

Fraud Risk Management Process:-



- Risk Identification
  - → Essential factor
  - → Identify → Dep/Wea/Emp.
  - → it requires prompt actions.
- Assessing Risk
  - → Recognise problem
  - → Develop opp. Sol^{n}.
  - → Root cause shd. be addressed.
  - → Consider impact of Risk on Com.
- Responding to Risk
  - → Take best action.
  - → Develop Risk Mitigation plan.
- Monitoring
  - → ongoing process.
  - → Business need to continuicly monitor.
- Reporting
  - → Take corrective step & advise on how to Reduce Risk.

★ Role of Company Secretary in Risk Management:- → 1st of 3

- → Company Secretary (CS) → Governance professional
  - ↳ Role → Enforce compliance framework
    - ↳ To promote high standard
    - ↳ AND ~~proote high standard~~ Ethical behaviour.
- → Significant Risk in assisting Board of org to achive < Vision / strategy
- → Additional legal and Regulatory duties and obligation assigned by employer.

function of cs Includes:-

- Advising in best practice Governance.
- prepare a compliance framework to safegaurd orgnizational Integrity.
- promoting and acting as a Sounding Board.
- Balancing the Interest of Board or management or other stakeholder.

AA:- Company Secretary has to adhere all the function mentioned in sec 205(1) of Companies Act, 2013 and Rule 10 of Companies (A&R of MP) Rules, 2014 also other ~~oth~~ than function mentioned above.

Role of Company Secretary

- Governance professional
  - ↓ Eforce complice framework
    - ↓ promote
      - High standard
      - Ethical Behaviour
- Significance
  - ↓ Assisting Board
- Legal & Other Regulatry duties
- function mention in sec [205(1)] + [Rule 10] of Companies Act, 2013.
  - Report to Board
    - ↓ Compliance of Act
  - Ensure Compliance of SS
  - Discharge other Duties.
  - (1) provide guidance to directors & KMP
  - (2) Held Board & Committee meeting
  - (3) obtain approvals
  - (4) representation before Authorities
  - (5) Assist Board
  - (6) Compliance with Corporate Governance
  - (7) Discharge other duties
- To Report of various committies
  - ↓ → Sebi (LODR)
  - → Risk management
  - → Enterprises Risk management

★ Responsibility of Risk Management:

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→ Sec 134 (3) (n) of companies Act: provides that a statement indicating development and implementation of a risk management policy for the company.

→ Sebi (LODR) Reg: 2015: provides that Company shall lay down the procedure to inform Board about Risk assessment and Minimization process.

→ Risk Management plan must include all element of risk and internal control systems and internal Audit function.

→ Company should have identified CRO (Credit Risk officer) for the Risk Management.

→ RM policy should reflect the Company Risk profile a should clearly describe all elements of Risk manageme and internal control system and internal Audit funct

→ Reg 21 of sebi (LODR) 2015) every listed company should h a Risk management committee.

Ans: Company Secretary has to adhere all the function mentioned in sec 205 (1) of Companies Act, 2013 and Rule 10 of Companies (A&R of MP) Rules: 2014 also other ~~offic~~ than function mentioned above.

Role of Company Secretary

- Governance professional → Eforce Complice framework → promote → Hegh Standard, Ethical Behaviour
- Significance → Assisting Board → Report to Board + Compliance of Act
- Legal & other Regulatory duties → Ensure Compliance of ss → Discharge other duties.
- function mention in sec [205 (1)] + [Rule 10] of Companies Act, 2013.
  1. Provide guidance to directors & KMP
  2. Hold Board & Committee meeting
  3. obtain approvals
  4. representation before authorities
  5. Assist Board
  6. Compliance with Corporate Governance
  7. Discharge other duties
- To Report of various committee → Sebi (LODR) → Risk management → Enterprises Risk management

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Internal Control:

→ Essential to smooth operations and daily operations of a firms and it helps orgn to accomplish his goal.

→ The range of Internal Control is extensive and also includes strategy, governance and mgt possessess including those activities and operations those directly associated with financial operations and reporting.

→ Control must not be viewed as a burden but rather as a tool for maximising business prospects and minimis possible losses brought on by unfavorable circumtances.

→ there are so many instances of business whose success has been at Risk due to a lack of internal control.

Risk Management and Internal control:

Risk Management → focus on identifying threats and opportunities

Internal control → Helps in counter threats and take advantages of opportunities.

Both assist orgnization in making informed decesion about the level of Risk and implementing the Necessary controls.

☞ The Risk of the profile of a company may be represented through a Risk Register, a suggestive template of which illustrated below:-

S.No.	Risk Area	Key Risk	Root Cause	Mitigation Measures
1.	Business Risk	Decreasing market shares	Lack of innovation market survey.	keeping vigil on latest Deoht and con'nt monitoring.
2.	Financial Risk	Leavraging capital structure and cash flow	Inability to assess the appropriate funding requirements.	Adopting Resources planning policy.
3.	Regulatory & Compliance Risk	Non-Compliance of applicable laws	Not keeping abreast of latest changes in the Regulatory enviroment.	knowledge updation and maintainance of a rebust compliance check list.

Internal Audit:- Q's. 18 of 7.3

↳ Means :- An Independent management function
↓
which involves a continius and critical appraisal of the
↓
functioning of an entity
↓
with a view to suggest improvements thereto and
↓
add value to ~~add~~ strengthen the overall governance mach. of entity
↓
Including < entity strategice risk mgt
internal control system.

Applicability of Internal Audit:-

As per sec 138 of companies Act; 2013',

\+

Rule 13 of Companies (Accounts) Rules; 2014.

a) Every listed Company

b) Every unlisted public company;

(i) PSC → 50 crore or more

(ii) T/O → 250 crore " "

(iii) O/s Loan → >100 crore " " } at any point of time.

(iv) O/s deposit → 25 crore or more }

c) Every private Com

→ 200 crore or more

→ 100 " " "

☞ If any company covered under any of the above mentioned criteria shall comply this section within 6 month of commencement of such section.

☞ Internal Auditor may or may not be an employee of company.

☞ Audit committee in consultation with Internal Auditor formulate scope, function, periodicity and methodology for conducting internal Audit

Importance of importance Audit:-

(1) Increasing productivity:-

→ By continues monitoring and reviewing the orgnization processes, internal Auditor can identify and recommendation to improve the efficiency and effectiveness of these processes and they also help to an orgnization to dependent on processes rather than on People.

Nemonix:- Good CG (5) & Independ judgement (4) se Risk ko Evaluate/control (2) कर सकते है और Quality (3) & prodcutivity (1) को Increase किया जा सकता है.

(2) **Evaluate Risk and protect Assets:-**

→ Regular internal Audit asses company controls and help to uncover evidence of frauds.

→ it help orgnization to track and document any changes that have been made to envoirment and ensure mitigation of any found Risk.

(3) **Quality controls:-**

→ IA help org. how well system and process are designed and keep the company goal on track.

→ Also provides the consulting on how to improve those system processes of and when necessary.

(4) **Independent and unbiased insight:-**

→ provides unbiased view into how effective internal control.

(5) **Good corporate Governance:-**

→ IA evaluates company's internal control and corporate goveronance and Accounting processes.

→ They ensure compliance with laws, Rules, Regulation accurate and timely financial reporting.

** **Role of Internal Auditor in strengthing internal Audit:-**

→ Internal Audit Depth → Responsible (within scope) → Assessing operations of internal control system and making recommendation for improv.

→ it helps raise awarness and train management personnel in internal control.

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Below are some of their specific responsibilities and duties:
i) Evaluating Risk mgt activities within the org.
ii) Determining org compliance with Relevent Laws & Regulations.
iii) Evaluation & recommendation → Assist in improving internal control.
iv) performing audit assignment assigned to them.
v) learning and studying the orgnization policy and guidelines.
vi) Identifying audit scope and developing annual plans within org.
vii) promoting ethics and Identifying improper conduct within the company.

★★ Crisis Management ★★

↓

→ it is an orgnization process & strategy based approaches

↓

for Identifying and responding to a
- Threat
- an unanticipated event
- any Negative disruption

↓

with a potential to harm
- people
- property
- business Processes.

→ public relations for a corporation may benifit greatly from handling a crisis effectively.

Types of Crisis:-

(1) Natural Disaster:-
it fall under the category of "acts of God". & take spontaneously without human interfearance.
Eg:- floods, earthquakes, tsunamis, storms,.

(2) Technological crisis:-
→ If the technology is used improperly, the negative effects it can have can sometimes outweigh the positive ones.
Eg:- Data breach, malware, spyware and other problem can hinder a company growth.

(3) Organizational misdeeds:-
→ Caused by a wrong step taken by a firm.
→ must ensure that every company action is legally and ethically correct to avoid any mishap in the future.

(4) Confrontation Crisis:-
→ Clash between employees.
→ it includes sit-ins, union boycotts etc.

(5) Rumours:-
→ some competitors may try to win by making false allegations against oppositions.

Crisis Management plan:- [CMP]
These are the recomendation for establishing good crisis management plans:-

(i) Identify an individual → to take over role of manager of crisis mgt. or firm can employ professional as manager.

(ii) Initiate frequent training and introduce course on crisis handling. Drill & practices frequently takes places.

(iii) Crisis team work under crisis manager.

(iv) when crisis occurs, this team that should be able to respond quickly.

(v) Initiate systems that can effectively monitor or detect foreseeable crisis signals enough to tackle the situation before get out of his hands.

(vi) provide a list of key person and their contact in case of crisis

(vii) Identify the ground person to be notified immediately when a crisis occurs. this should be a person who can be trusted by a colleagues with vital information during any suspected crisis.

(viii) Identify a central place (point) where employees can assemble and also exit point to use in case of crisis.

(ix) Regular testing of the crisis management Proceeds and emergency equipment and updating them frequently or as needed.

ESG Risk Assessment:-

- ESG is a acronym for envoirmental, social and governance.
- Investors are increasingly using these non-financial factor as a part of their analytical process to identify significant risk and growth opportunities.
- EGS are not typically included in mandatory financial reporting but also revealing information in their annual report or anoter sustainability report.

→ To make it simple to incorporate these factor into the investment process; many org including the Sustainability Accounting Standard board (SASB) Global Reporting initative (GRI) and the task force on Climate related financial disclosure (TCFD).

① Envoirmental Risk:-
Risk Includes envoirmental related eg; Green house emission deforestation, Pollution, water usage, boidiversity waste etc.

② Social Risk:-
it Includes customer relations, human rights, labor rights employee relations, ouupational safty and health, supply chains, divesity etc.

③ Governance Risk:.
it Includes Succession planing, board management practices executive Compensation divesity among board and mgt, curruption, fraud, data huggiene, Security, equity etc.

Significant of ESG Risk Management:-
1. Enhanced sustainiability:.
→ with better understanding of ESG Risk Companies can utilise their resources effectively
- Tackle rising operational cost
- make safe investment
- improve employee retention and adhere regulation easily.

→ It not only makes the orgn resilient of future challanges but also provides a Competative Advantages.

2. Improved Regulatory compliances:-

→ With Growing stakeholder demands; for accountability, there is also an increase in regulatory compliances.

→ Integrating ESG factor as a part of risk management make communication effectively with ~~Growing~~ governing authorities by minimising resource burden and requirment for legal intravention.

3. Increased investment potential:-

→ Socially aware investor now seeking the integration of ESG value into their portfolio to ensure sustainable investments.

→ Org who have well designed ESG risk management attract the investors.

4. Better Employee Productivity:-

→ Org with highest employee satisfaction had ESG score 14% higher than global average.

→ well managed ESG can enhance employee Productivity, motivation, and retention.

→ Additionally organized ESG Risk mgt promotes employee well being through considration such as health safty, work schedule diversity and inclusion. it also stimulates better Performance by employee.

5. Greater profitibility:-

→ Mitigating ESG Risk not only makes company favorable for investment but also enhance its profitibility.

→

ESG Risk Management:-

→ EG Risk Management also involve 3 steps
- Identify
- Quantify
- manage/ Mitigate.

→ ESG Risk are quantified and reported in the form of company ESG risk score/ ratings.

→ A Low Risk rating indicates effective Risk management and o high Risk score signifies inconsistencies in ESG Risk management.

→ Every company requires ESG Risk mgt to avoid financial or reputational damage.

→ Irrespective of the size of the company or org; incorporating ESG Risk factor in the decesion making Process amounts to effective Risk management.

2. ISO 31000:9000 :- International Standard Management:

→ International Standards for risk management published on 13th November, 2009.

→ It helps to orgnization with their risk analysis and risk assessment.

→ It applies to most business activities including plan management, operation & communication process.

→ It helps in improving operational efficency, Governance stakeholders confidence.

→ It also help to boost health and safty Performance, established a strong foundations for decesion maki and encourage pro-active management in all areas.

Scope of ISO 31000:2009:-

→ It provides genric guidelines for the design, implement and maintainance of risk management proces throughe an orgnization.

→ it is not developed for pasticular industry grocp, mar system or subject. it applies to all level that is (i strategic management operational.

→ It is Intended for broad stakeholders group:-

- Executive level stakeholders.
- Appointment holders in the ERM Group.
- Risk Analysis and Management of officer.
- Line Manager and project Managers.
- compliance & Internal Auditors
- Independent practitioners.

Benifit of ISO 31000:-

→ It contains 11 key principles that position Risk management as fundamental process in the success of the org.

→ ISO 31000 is designed to help org:-

- Increase the likelihood of achieving objectives.
- Encourage a proactive management.
- Identify and ~~treat~~ Risk throughout the orgnization.
- Improve the Identification of opportunies and threa
- Comply legal and Regulatory Norms.
- Improve financial reporting.
- Improve Governance.
- Improve Stakeholders confidence and trust.
- Realiable basis for decesion making.
- Improve Controls.
- Effectively allocate resource and use.
- Improve orgnigation learning
- Improve loss prevention and Incident Managem

Managing Risk:-

1. Avoiding the Risk
2. Accepting or Increasing the risk in order to pursu an opportenity.
3. Removing the Risk resource.
4. Changing the likelihood.
5. Changing the consequance.
6. Sharing the Risk.
7. Retaining the Risk.

Strategic Risk Management:-

→ Strategic Risk management is the process of identifying, quantifying and Mitigating any Risk that affects a company's business strategy.

→ these risk may include:-

- Shift in consumer demand and prefrences.
- Legal and regulatory changes.
- Competative pressure.
- Technological changes.
- senior management turnover.
- Stakeholder pressure.

Strategic Risk management = Doing the Right things.

operational Risk manage = Doing thing Right

→ Good operations means doing things Right. while good strategy means doing the Right things.

→ strategic Risk arises when a company fails to anti the market needs in time to meet them.

Measuring of Strategic Risk:-

(1) Economic capital:-
requirement of equity unexpected losses based on a predetermined solvency standard.

(2) Risk adjusted return on capital (RA-ROC)
Antipated after-tax return & devided by economic capital.

RA-ROC > Company cost of Capital → Intitative will add. value

RA-ROC < Company cost of Capital → It will destroy value.

⇒ SRM Involves 5 steps:-

(i) Defined buiness strategy and objectives:-
firstly plan out strategy byway of SWOT analysis or other approaches.

(2) Established key performance indicator:-
It is and hint which indicate performance of the company.

(3) Identify risk that can derive variability in Performance.

(4) Established key risk indicate and tolerance level for Critical ~~and monitoring~~ Risk.

(5) provide Integrated reporting and monitoring.

Units: 1 & 5

Envoirmental Risk:- ★★★

→ The Risk with which this report is concerned are all in same way "envoirmental.

→ They arise in or transmitted through, the air, water, soil, or biological food chains, to man.

→ Some are created by man through the introduction of new technology, product or chemical; while other; such as Natural disaster, hazards, result from Natural processes which happen to intract with human activities.

→ It cause haim to people who have not voluntarily or specifically choosen to suffer their consequance and thus they require regulation on the part of some authority.

→ Envoirmental Risk are receiving more attention from investors and consumers as people become more concious of climate change green house gas emissions, resources usage and biodiversity Protection.

→ The potential for an org ~~for~~ to have a detrimental impact on the envoirment is known as envoirmental Risk.

Eg. of Envoirmental Risk:-

1. Impact on climate change on GHG emissions.
2. Security and use of water.
3. Pollution and prevention.
4. Deforestation.
5. The effect of biodiversity
6. Safeguarding maritime resources.
7. making the switch to a circular economy.
8. Techniques for envoirmental management.

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Social Risk:-

→ Maintaing positive relationships with these stakeholders is essentials to a company long term success; espicially; of that business depends upon the confidence of general public.

→ All parties involved in the firm, from suppliers and local communities to employees and customer may be affected by these difficulties.

Eg. of Societal Risk:-

1. Inclusion of equity and diversity.
2. Workplace and safty circumtances.
3. Observing human Rights.
4. Data security
5. Development of the workforce & training.
6. Community participation.

(3) for any business to maintain long term competative advantages it can be crucial to be able to prevent tarnishing it reputation and relationship.

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Governance Risk :-

→ " Governance is the
- cultures
- values
- mission
- structure
- layer of policies
- proces & measures

By which orgnization are directed and controlled.

Defines :- how org should perform
→ what is acceptable & unacceptable &
→ Describing through policies &
→ compliance is the area responsible for inspecting and proving that they are adequetly being implemented and followed.

→ Governance is also responsible
- for Risk and compliance oversight
- evaluating performance against oversight objectives.

→ Board acts as an active member | monitor for
- shareholder & stakeholder
- with goal of oversight
- to make mgt accountable.

→ Governance should be able to understand and forsee the orgnization vulnerabilities (↳ weakness) and hence make decesion to Reduce them.

→ Governance should also distribute pocer to provide insight and intelligence, at the Right time so that the Right People in the management can make Risk aware.

→ Governance needs to [touch every] part of the [orgnization], it needs to be [at the heart] of corporate culture when in today [complex global ecosystem], risk are becoming more [interconnected].

Associate

→ Risk^ of Governance include:-

1. corporate morals and ethics.
2. Conduct and practices that are anti- competatives.
3. ESG Regulation Compliances.
4. ESG Transparancy
5. open communications.
6. Preventing fraud and curruption
7. Curruption and extortion.
8. standard and Regulations.
9. Diversity of Board of Directors.
10. paying taxes.

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Climate Risk:-

→ Globally, weather and climate-related Risk, which potentially cause loss and damage, have increased dramatically over the past few decades.

→ The most recent climate projections indicates a significant increase in the frequency, duration, and intensity of extreme weather event as well as severe slow onset climate related changes.

→ Internationally; there is an increasing recognition that adaption and mitigation may not be enough to manage the impacts of climate change and stress the urgent need to develop and impliment effective climate risk assessment and management approaches in order to avert, minimise and address losses and damages.

Climate Risk Management process:-

6 steps:-

1. Assess and match Info^{n} needs with Risk not activities
2. Define System of Interest.
3. Develop context-specific methodology.
4. Risk identification to identify low and high level of climate related Risk.
5. Risk evaluation to identify acceptable, tolerable and intolerables Risk.
6. Assessment of Risk management options.

×Need for CRM framework in India:-

↳ Refer book Page Number 656.

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Business continuity plan (BCP):- ★★★★★

→ Is a doc^mt that outlines how a business will continue operating during an unplanned disruption in services.

→ It is a system of prevention and recovery from potential threats to a company.

→ Business continuity plan can be tailored to specific department such as finance, HR & marketing operations.

→ Financial operation:-
- Ensure company has sufficient fin. resou.
- maintain financial reporting
- Regulatory compliances.
- restoring critical financial system.
- ensure key personal available to respond to the crisis.

→ HR operations:-
- Focus on maintaining personel resources.
- ensure to pay to employees & provide benefits.
- secure personel data, maintain payroll.
- ensure key HR personel are available.

→ Marketing operations:-
- maintain marketing system & processes
- Ensure company is able to promote {product / services.
- maintain company image/ reputation.
- ensure key managerial are available.

features of BCP:-

1. Strategy:- Ensure continues operations
2. Orgnization: skill, comm, resp → employee.
3. Application & data:- software necessary for operations.
4. processes:- necessary to run business.
5. Technology:- system, Network & ind. specific
6. facilities:- providing a disaster recovery.

Steps in creating BCP:-

(1) Assemble a business continuity management team:-
- → make your team as per objectives & size of your company.
- → Create a content list of key people involved in your company BCP.
- → Provide a detailed overview of their role and responsibilities
- → Have proces how your BCP will update & how these update will be communicated to the teams.

(2) Ensure safty and well being of your employees:-
- → must prepare to prioritize the safty of your employees.
- → Be productive and transparently address their concern.
- → Depending upon industry → you will have re-allocate resources and re-orgnize teams.
- → make sure you have proper communication channel in place to get in touch with employees.

(3) Understanding your company Risk:-
- → After making BCP team:- must conduct business conduct Analysis
- → discuss and understand list of threats and potential risk to your busines.

(4) Implement Recovery Strategy:- — Once disaster occurs, financial losses begain to grow, it can be challenging to get back on track without BCP in place.

(5) Test, Test again & make improvements:-
- → Testing your business continuity plan allows you to validate it as you manages risks.
- → while 88% of companies test their strategies to identify gaps 63% of them do so to validate their plans.

Crisis management Plan:-

→ process and handling [To a sudden & unexpected accurance] That pose a serious threat to an org.

→ it is a specific of BCP that focuses on the procedure and ~~protects~~ protocols for dealing crisis.

→ CMP can involve diffrent roles and responsibilities for for finance, HR & operations.

→ finance, HR, Marketing | operation → same as BCP.

features of CMP:-

Needs	Essentials features
→ prepare individual to face unexpected developments and adverse condition of org.	→ CMP includes activities & process which helps manager / Employee to analyze & understand events → lead to crisis & uncertainity in the org.
→ Employees adjust well to sudden change in org.	→ CMP enables managers & employees to respond effective change in org.
→ Employees analyze the cause of crisis that cope with best possible ways.	→ Consist of effective coordination among department to overcome env.
→ Crisis manager ~~helps~~ Advise to come out uncertain condition.	→ employees → must communicate effectively with each other to overcome tough time.
→ CM feels early sing of crisis	

Qs: 23 of 1.5 ****

Disaster Recovery plan:- (DRP):-

→ A DRP is a comprehensive plan that outlines { procedure & strategies } that a corporation will use to restore its critical operations and services in the event of disaster.

→ The goal of DRP ensure that corporation can quickly and effectively (recover) from a disaster and return to normal operations.

→ DRP Critical components { Risk management, BCP }

→ Companies invest in DRP → minimise impact of disasters on ops. ↓ protect their data & assets.

→ DRP includes { Detail analysis of potential risk & consequences of disasters, plan for responding & recovering from disaster }

↓

It may include { Backing up data, system, communication, contingency operations. }

Feature/ elements of Disaster Recovery Plan (DRP):-

The plan should be easy to follow and understand and be customized to meet the unique needs of the org.

it includes;

① Create a disaster recovery team:-
- → Identify & Assess and Create team.
- → Define responsibilities/ provide contact.

(2) Identify and assess disaster risk :-
→ Identify and asses Risk.
→ Create a step to respond during disaster.

(3) Determine critical components, applications, doc' & Resources.

(4) Specify backup and off-site storage procedure.

(5) Test and maintain the DRP.

In summary :-

→ An orgⁿ. must develop a recovery Plan & team to create a DRP that includes, → Assessing disaster Risk
→ Determining critical applications
→ Specifing backup Produre.

→ the recovery team and org must then implement the DRP and follow through on Plan procedure.

→ the DRP should be continually tested and maintained to consistantly Prepare the orgnization for evolving disaster and emergencies.

Relationship between BCP, CMP and DRP in corporate world:-

→ In the field of Risk Management, BCP and CMP are two ideas that are closely related.

→ The Relationship b/w BCP and CMP is that BCP provides the overarching framework for maintaining business operation during and after a disruptive event.

→ while a CMP provides specific event/guidance for managing a crisis.

→ Both BCP/CMP are essential components of a comprehensive Risk management programme & they coork togeather to ensure that an org can continue to operate and recover from a disruptive event.

→ We can conclude that BCP provides a roadmap for the crisis mgt team to follow & DRP provides a roadmap for recovery process.

→ BCP and DRP coork togeather to ensure that a company can maintain its critical operations and services during the crisis and quickly recover from disasters.

→ CMP helps to ensure that company response to the crisis is organised and effective and that the BCP and DRP are implemented as effectively as possible.

Example of relation b/w BCP|CMP|DRP:-

Reliance Industries

↓

Fioncial crisis — caused by ↓ sudden drop in demands for its products.

* CFO is responsible for overseeing company fioncial respons to crisis.

↓

CFO immediately activates Company BCP — procedure & strategies use during crisis. ↓ CFOs cmteam must follow procedure given into BCP.

↓

Assembles company Crisis mgt team ↓ which includes representative of various departments.

→ Use BCP to assess the situations and determine the better course of actions.

→ Quickly identify critical financial system and services that are most likely to be impacted by crisis.

→ prioritize their efforts to protect those system & procedure.

- CFO should also work with company legal and regulatory team to ensure that company follow all relevent laws and regulations as its responds to this crisis.

Qts:24

Cyber Risk Management:-

History of cyber security Risk management:-

According to jeff yost, In his article, A History of Computer security standards,

→ Cyber security got its start alongside the development of first computer in the late 1960s.

Cybersecurity in 1980s:-

→ The 1980s saw the emergence of first commercially available antivirus software.

→ Companies such as symantec, mcafee and trend micro led the way in proriding reliable protection against malicious programme.

→ this peiod saw an increase in compute virus as hackers began to target personal computer and busines Network.

in 1990s:-

→ further development in cybersecurity with launch of firewalls; which act as a barrier to keep unwanted threats out.

→ this decades also saw a huge increase in the number of cybercrimes; with hackers increasingly targeting critical infrastructure and corporate system.

In 2000s:-

→ the start of the 21st century saw the emergence of sophisticated cyber threats.

→ this decades also saw a rise in phishing scam, ransomware, and zero day attack, prompting govt and companies to Increase their investment in cybersecurity solutions.

→ This decades marked the begnings of large scale data breaches as hackers began targeting sensitive data.

In 2010s:-

→ The 2010's saw the emergence of cloud computing; which enabled companies to store data remotely on shared Networks.
→ This decade also saw an increase in the use of AI's and machine learnings algorithms to detect potential threats before they can cause any damage.

In 2020s:-

→ The 2020s have brought even more challanges to the world of cyber security including state sponsored; attacks, quantum computing; and the rise of 5G Networks.
→ In response govt and companies investing heavily in innovative technology such as blockchain and artificial intelligence to protect system.
→ Cyber security is an ever changing field; but with the right info and resources, we can all stay safe online.

By understanding the history of cybersecurity, business, org, and individuals can create an informed approach to security.

Oct. 2nd
T-3

Cyber security Risk Management process:-

1. Identify the Risk that might compromise your cyber security.

2. Analyse the severity of each risk by assessing how it is occur and significant the impact might of it does.

3. Evaluate how each risk fits within your risk appetite.

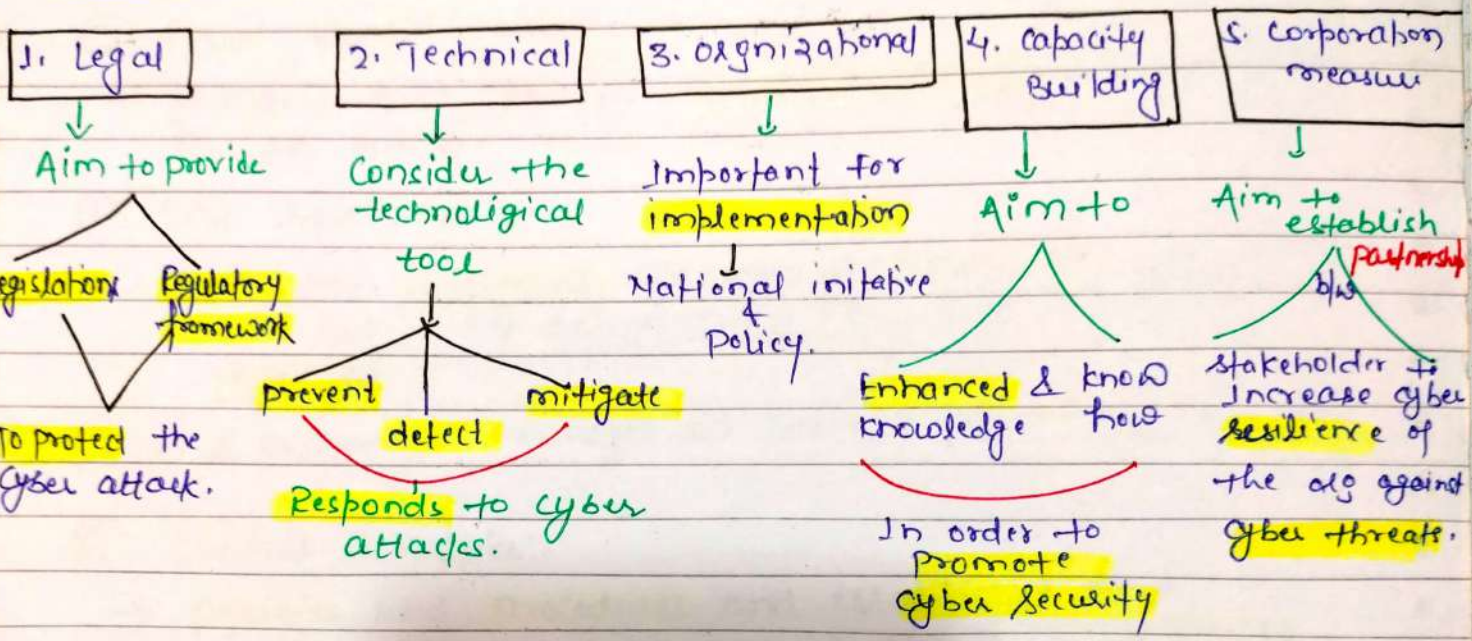
4. Prioritise the Risk.

5. Decide how to responds to each risk. there are generally four options:-
   a) Treat:- modify the risk likelihood and/or impact typically by implementing security controls.
   b) Tolerate:- make an active decesion to retain the Risk.
   c) Terminate:- Avoid the Risk entirely by ending or completely changing the activity causing risk.
   d) Transfer:- share the Risk with another party, usually by outsourcing or taking out insurance.

6. Cyber security Risk Management:-
   → continual process
   → Monitor your risk to ensure they are still acceptable
   → Review your controls to ensure → still fit for purpose
   → & make change as require

Cyber security measures:-

As defined by the International telecommunication union cyber security measures are classified as; legal; technical; Orgnizational; capacity building and corporation aspects.



Risk Management framcoorks And Standard:: ★★★★★

① Enterprise Risk Management [Integrated framework (2004)]::

→ Committee of sponsoring orgnizations of the Tradecoay Commission (COSO) issued the Enterprises Risk manage Integrated framework in 2004.

→ "Enterprise Risk management is a process,
- Effected by BOD, management and other Person
- Applied in strategy setting across the enterprises
- Designed to identify potential event that may affect e
- Manage Risk with in risk appetite.
- To provide resonable assurance regarding achivement entity.

Achivements of objectives::

ERM is geared up to achiving an entity objectives; set forth in four categories:-

- Strategic :: high level Goals.
- operations :: Effective & efficient Use of its resources.
- Reporting :: Redibility of reporting
- Compliance:- Compliance with rules and regulations.

★★★

Enterprises Risk Management encompasses:-

AA Enterprises Risk Management and strategy:-

1. Aligning risk appetite and strategy:-
→ Management considers the entity Risk appetite in evaluat[ing] strategic alternatives.

2. Enhancing risk response decesion:-
→ It helps in identifications and selection among alternatives risk response.

3. Reducing operational surprises and losses:-
→ It helps in reduction in operational surprises and associated costs or losses.

4. Identifying and managing multiple and cross en[terprise] risk:-
→ ERM facilitates effective response to the Inter-related impacts, and Integrated responses to multiple risks.

5. Seizing Opportunities:-
→ Considering a full range of potential events, management is positioned to identify and proactively realize opportunities.

6. Improving deployment of capital:-
→ It allows management to effectively assess overall capital needs and enhance capital allocation.

Alligning, Reducing, Improving

AIR It Self is Excellance.

Identifying & Managing, Seizing, Enhancing.

AA Component of ERM:-

Surround / hold within / Cause to have

① Internal Envoirment:-
→ The Internal envoirment encompasses the tone of an orgnigation.

② Objective setting:-
→ objective must exist before management can identify potential events effective affecting their achivement

③ Event Identification:-
→ Internal and external events effecting achivement of an entity.

④ Rick Assessment:-
→ Risk are analyzed, considering likelyhood and impa as a basis for determining how they should be managed.

⑤ Risk Response:- Management select a Rick Respons.

⑥ Control Activities:-
→ Policies and procedures and established and implemented to help ensure the risk responses are effectively carried out.

⑦ Information and Communication:-
→ Relevent Information is identified, captured and ~~information~~ communicated in a suitable timeframe.

⑧ ~~Rairo~~ Monitoring:-
→ Monitoring through ongoing management activitie seprate evaluation or both.

Nemonics:- Internal (1) Setting (2) के साथ company के Risk को Assess (4), Identify (3), Respond (5), Control (6) और mitigate करके उसको monitor (7) करते हुए communicate (8) करे सकते है।

** Operational Risk:-

→ OR is the Risk of Losses caused by
- Flawed
- failed processes
- Policies
- System or
- Events

⇓ That disrupt busines operations

→ Employee errors
Criminal activities { physical, frauds } factor that can triggers operational Risk.

→ In evaluating operational Risk, practical / Remidial step should be emphasized to eliminate exposures and ensure Successful responses.

→ If left unaddressed → OR can cause
- monetory loss
- competetitive disadvantage
- Customer related problem
- busines failure.

Mitigation factors:-
1. Data required is not readily available.
2. operational complexity is growing in enterprises.
3. Universe of OR types expands.
4. Operational Risks overstep with other Risk factor./functions.

** Compliance & Governance Risk

#Potential exposure to
- legal Penalities
- financial forfeiture
- Material loss
- Resulting from its failure to Act in Accordance with Industry laws & Regulation.

It is also known as integrity Risk.

→ related to on orgnizational
- Ethical & legal management
- Transparency & accuracy of company Performance.
- other ESG initative.

Case study :- Infosys :- Mitigating water risk

→ Business :- Business consulting
IT & outsourcing services.

→ Employs :- 2,00,000 people
116 global development centre.
↳ 4o largest in india.

→ Then Infosys consider water stress & scarcity → Near term risk

→ water support the company human capital
- cooking
- cleaning
- Bathroom
- Drinking
  ↓
  At their campus.

Response to water Risk:-

→ Encourages collaboration b/w ERM & sustainability functions.

- ERM → Conduct Assessment at Corporate level.
- sustainability → Team conduct details risk Assessment at each facility location.

→ Company undertakes Herative process :-
1st Assessing inherent risk
Subsequently applying control measures.
&
Assessing residual Risk.

→ Infosys chooses among 5 Risk Response types in line with COCO's ERM framework
- Accept
- Avoid
- reduce
- Escalate
- share.

→ Location → water scarcity Risk ↑ → Avoiding | Accepting Risk is not an options.

||

company chooses to reduce the Risk.

||

company used site based water Risk and develop an action plan for reducing Risk to { low or moderate level.

CHAPTER – 19

[PART-A :: Sustainability Audit]

Sustainability :- Means ; Meeting of needs of present without compromising ability of future generation to meet clints.

↓ It has 3 main pillers

↓ Economic ↓ Environmental ↓ Social

= Informally referred as – people, planet, profit

✓ one should take care of people and after planet.

– Profit is an economic activity and is much for survival of the unit, but in the array of these 3 peeps, its ~~priority~~ should stand in last and not at cost of people + planet.

✓ It is based on Simple principle :-
↳ Everything we need for survival & well being depends ↳ either Directly / Indirectly :- on our Natural Environment

– It Creates and maintain the condition under which Human & Natural can exist.
= In productivity harmony.

Sustainable Development :- → Def. of Taymon.
UN Report defined it as " Development that meets the needs of present without compromising the ability of future generation to meet their own needs".

Interdependence:-

→ It means balance the need for
- Economic Growth &
- Environmental & Social equity.

→ It is process of change in which
- Exploitation of Resources
- Direction of Investment
- orientation of technological development
- Institutional changes

All are in harmony (Enhance) = both (current & future potential) to meet human needs & Aspirations.

fundamental principle of Sustainable development :-

1. Need → preserve natural resource for f.G.
2. use of N.S → in a prudent manner
3. " " " by any state / county must take into account.
4. Environmental aspects & impacts of socio economics activities should be integrated so that prudent use of natural Resource is ensured.

Q.2 of 10 mark

Sustainability Audit :-

① meaning

1. it is a comprehensive assessment of an organization
2. purpose - is to identify areas where the org can ↑ Sus. perfor. & minimise its negative impacts on
   - Environmental
   - Society
   - Economy.

   Environmental, social, economical impacts.

scope & coverage:-

3. Audit typically cover area such as
   - Energy use
   - Greenhouse gas emmision
   - waste management
   - water usage
   - product sourcing
   - supply chain mgt
   - community engagement
   - CC relation

KPI (Key Performance Indicators).

4. outcome of Sustainability Audit is used to
→ Develop Sus. strategy & set goal
→ for ongoing Sus. perf. improv.

5. A Sustainability A. → process → Evaluate the performances of an org in relation to its sustainable development goals.

6. It perform how company performs in 3 area of
- Social
- Environment
- Economic asp.

7. It includes an analysis of Both Internal & External factor affecting the org. sustai.
Thus also refered as "Triple bottom line" Assessment

framework of Sustainability Audit:-

it includes the followings:-

1. planing & prepration:- Defining scope & objective of Audit + Ident. & plan for Stk's con Aud.
2. Data collection & Analysis:- Gathering data on org of "ESG" + Reviewing policies | proc | practice.
3. Assessment and Evaluation:- Evaluate Data collected + Analyise sus. org. Performance
4. Report generation:- Summarising the finding of the Audit + presenting Recommendations for Improvements.
5. Implementation & minotering:- Taking action on recommendations + Report & minotering progress.

Q3. of Taxman

Process of Conducting Sustainability Audit :-

SA can be conducted in following manner:-

(1) Defining scope & objective of Audit:- → what aspect of org. required to be included.
→ what & goal.

(2) Gathering data:- - Collecting data on org "ESE"
- Reviewing policy, procedure & practice of sus.

(3) Conducting assessment and evaluation:- → Evaluate data collected & Analyse org. perform.
- Benchmarking org. performance

(4) Preparing Report:- - Summary of finding of Audit
- presenting Recommendation of improvements.

(5) Implementing & monitoring actions:- Communicate result to STK?

Q.4 of Taxman scanner. ★★★★★

Sustainability Audit Report:-

→ ~~it is comprehensive report Audit report~~
→ It is Sustainability Audit Report is a comprehensive documents which provides detailed analysis of an org sustainability performance.

→ Report assesses the organization
- Environmental
- Social
- Governance

impacts & identifies area of improvements.

→ It is used to help orgnization understand its sustainability performance & make informed improved decesion about how to improve it fuether.

→ SAR → Tool for org to understand & improved their sus. perform.
→ prepared by Independent 3rd party Auditor to ensure { Accuracy & credibility.
→ Report may made available to public & published on org coebsite + sus. Report.

Report includes following key elements:-

1. Executive Summary:- provide high level oversiew of report + purpose of Audit & key finding + main recomm.
2. Bankground:- context for Audit — Int. about org. / sus < goals objectives. / scope of Audit.
3. Methodology:- methodology used to conduct Audit.
4. key findings:- permits main finding of Audits including detailed Analysis of org. sustainability performance on key ESG iss
5. Recommendation:- Specific Recommendation how org performance can be improved. & also specific action can take
6. Implimentation Plan:- plan for implementing & recommendations from Audit.
7. Conclusion:- Summary of main finding & recommendations from Audit.

Qts. of Taxmann Scanner

Audit Standard and Sustainability :-

- There are several standard and guidelines that org. can use to conduct Sustainability Audit.

- Some of most widely used include :-

① Global Reporting Initiative Std. (GRI).	② ISO 26000 :-
- widely Recognized Sustainability Report on their { Guidline to measure S. performance.	- International standard for CSR provides Guidelines for Org on CSR.
- Provide comprehensive and consistent approach to Sustainability reporting.	- Can be used as framework for conduct Sustainability Audit & provide guidance on topics.
③ Sustainability Assessment Standard.	④ National & Regional Standard
- No. of Sustainability Assessment Standard the Org can use to conduct Audit	→ There are No. of National & Reg. Std that company can use to conduct Audit.
→ these Std. provides comprehensive approach to sustainable Assessment include (EMA).	

Qts.6 of Taxman scanner.

Importance of Sustainability Reporting :-

(1) Identifying area of improvements. → understand ESG, Identify area of improvement, lead wct saving, ↑ efficency & E.Imp.
(2) Measuring sustainability performance :- + Track performances, track progress
(3) Demonstrating commitments to sustainability.
(4) Enhancing reputation and board image.
(5) fostering innovation and competitiveness :-

Qt.7 of Taxman scanner.

PART-B - ESG RATING

- ESG is a framework designed to embedded into org strategy that consider the needs & ways in which generate value for all org stk.
- ESG is a term used to represent an org. corporate financial interest that focus mainly on standard ethical impacts.
- Capital market use ESG to evaluate org and determine future financial performance.
- while ethical, sustainable and corporate governance are considered non-financial indicators, their role is to ensure accountability & system to manage a corporation impact, such its carbon footprint.

What are the Criteria for ESG:-

Envairmental

These factor includes the envairment, Climent Change, energy consumption use and its overall impacts.

Ex:-
- Air & water Quat.
- Biodiversity
- Deforestation
- Energy performance
- Carbon footprint
- Green house gas emission.
- Natural resource depletion.

Social

It address how an org. treats people, community relations, including org. connections impact on local comm. in which operates & serves.

Example:-
- Customer satisfaction
- Data protection & policy
- Health & safety.
- Human Rights.
- Labour standards.
- Employee engagements & relations.

Governance

Examines how a Corporations policies itself, focusing system control & practice to maintain compliance.

Gorernance focuses on transparency, industry best practices, org. management & Acc. growth initiatives.

Ex:-
- Company leadership.
- Board composition.
- Corruption & bribery
- Donation & political lobbying
- Executive Compensation & policies
- whistleblower programs.

Meaning of ESG Rating:-

- An ESG score
  - ↳ objective measurement or Evaluation
    - → Company
    - → Fund
    - → Security performance
    - } w.r.t ESG issue.
- Specific evaluation criteria
  - ↳ vary between the different rating platforms that issue ESG scores.
- ESG scoring system
  - ↳ tends to be either
    - Industry specific or
    - Industry - agnostic.
      - ↳ Generalised.
- Industry - specific Scoring system
  - ↳ Assess issue that have been deemed material to Industry at big
- ESG rating platforms determine a weighting for each measurement criterion; then
  - ↳ they assess an org. performance against each criterion.
- An org. final ESG score is typically a sum product of the criteria rating and the criteria weightings.

ESG key performance indicators:-

- ESG key performance indicators or kpi's = Are trackable figures
  - ↓
  - meant to help firm understand the ESG impact of their operation.

- for venture capital & private equity managers = ESG KPI's
  ↳ Are integral in understanding the ESG impacts of the companies they invest in or are thinking about investing in, and thus impact of their funds.

- ESG KPI's also provide managers & investors with an idea of what Risk their investment & fund face.

- As per Sebi (LODR), 2015:-
  Top 1000 listed entity based on MC, the annual reports shall contain a BRSR on ESG disclosures, in the format as may be specified by Board from time to time.

- provided that assurance of [BRSR core] shall be obtained.
  ↓
  Explanation:-

  (1) BRSR core shall comprise such key performance indicator as may be specified.
  (2) value chain shall be specified by Board (from 1 to 7.

- consultation paper on ESG Disclosure Rating & Investing by Sebi
  ↳ it is mentioned that assurance can be either limited or Reasonable.

- Limited assurance can be adopted globally by jurisdictions as it relatively easy to implement.

- However due to inherent nature, limited assurance draws relatively low confidence, while Reasonable assurance despite being relatively more expensive, draws more confidence.

- In order to achive twin objectives of [improving credibility / limiting the cost of compliances]

↓

BRSR core has been purposed by sebi for reasonable assurance which consist of key Performance Indicator under ESG | areas that needs to be reasonably assured.

on consultation paper issued by sebi introig the concept of BRSR core for 3rd party assurance kpis.

⇓

- ESG Advisory Committee (EAC) of sebi adopted the followings approaches in developing BRSR core:-

(1) kpis sought in BRSR are Quantifiable to the extent possible so as to facilitate comparability of the disclousers.

(2) It contain factors that are relevent to both manufacturing & service sector and are relevent in Indian context.

(3) kpis Contains a number of Intencity ratios so as to enable comparability irrespective of size of company.

⇒ Implementation of assurance mandates on BRSR core as under:-

for fy 22-23 :-	BRSR Mandatory Reporting :-	1000 companies.
	Assurance " " :-	Not required.
for fy 23-24 :-	Reasonable assurance of BRSR core :-	top 250 com.
for fy 24-25 :-	" " " " " :-	" 500 com.
for fy 25-26 :-	" " " " " :-	" 1000 com.

- further; at present the metrics related to supply chain of company are covered under leadership indicators in BRSR that may be reported on voluntary basis.

- It was purposed in the consultation Paper to introduce a limited set of ESG disclousers

for fy 24-25:- ESG disclouser as per BRSR core
↳ for supply chain = for TOP 200 companies
↓
Assurance Not mandatory.

for fy 25-26:- " " " " " "
↳ " " " = " " "
↓
Assurance on comply
or
explain basis.

ESG Rating orgnization / ESG Rating providers & ESG methodology:-

- ESG Rating Agencies are orgnization
↳ Examine company ESG Policies to determine its sustainability.

- Stakeholder may use ESG Rating Agency Report
↳ To see how sustainable a company
↳ Allowing them to better determine which ones to invest in and where to do business.

- ESG investing becomes mainstream
↳ Demand for ESG data & indices has also ↑ Globally.

- Investing are ↑ relying on ESG Ratings to gauge (to make a judgement) a company performance on ESG issue & exposure to ESG Related Risk.

- ESG Rating help to bridge this gap by collecting myriad ESG data, analyzing and diluting it to a single score/ratings.

- Esg Rating provides (ERP's) collect esg data for a given company mainly from company own's
✓disclouses,
✓News items.
✓3rd party Reports.
✓Questionnairs.

Que. 8 of Taxmann Scanner

Some of widely known ESG Ratings organisation includes :-

(1) Dun & Bradstreet :-

→ It is a International business data and analytics provider, which provides
- company performances
- Trends
- ESG factors.

→ It provides companies with a comprehensive view of their sustainability performance in relation to Global peers.

→ Company offers to
- company level ESG scores & ratings.
- sector level analysis.
- Range of other data points

To help org identify key areas of Impr. or Risk mgt.

→ It also offers
- ESG focused research reports tailored to specific industries or countries
- As well as proprietary tool to help companies track & analyze their own ESG Performances.

→ Knowing ESG Risk of doing business with 3rd parties is a key factor in maintaining a competitive advantage in economic climate.

→ That's why they provide you with an easy to understand snapshot of these Ranking, including comparision to industry average, so you can make informed decision about investings.

(2) Sustainalytics ESG Risk Rating :-

— It is a ESG Rating and data supplier that provides ESG Rating on 20,000 companies & 172 countries.

- They are 40,000 companies worldwide.
- it is a subsidiary of morningstar; one of the leading & largest stock market data providers in the world.
- ESG Ratings from sustainalytics measure the ESG Performance of companies on Global Scale.
- They cover about 13000 international ~~disputed~~ equities across all regions worldwide.
- ESG Rating are based on both quantative ESG data & Qualitative analysis.
- ESG scores cover several diffrent areas including. Social, Governance impact, Soial contribution and financial performance to provide a holistic view of ESG Profile of companies.

MSCI ESG Ratings:-

- This rating are created by MSCI ESG Research, one of the largest rating agencies.
- These ESG rating are released for 14000 diffrent equity and fixed income issuer.
- SCI ESG Rating are generally known to be one of the Industry leader in publishing scores & ratings for ESG Companies.

- MSCI Rates companies According to their exposures to industry specific ESG Risk and opportunities and their ~~exposure~~ ability to manage those Risk and opportunities relative to peers.

- Company level rating are ~~concated~~ aggigated to the fund level, which are further aggrigated to the portfolio level to provide the ESG Ratings available on the sustainability tab of the 360 Evaluator.

☞ MSCI ESG Ratings model seekings to answer four key questions about companies?

- ✓ what are most significant ESG Risk and opportunity facing a company and its industry?
- ✓ How exposed is the company to those key Risk and/or opportunities?
- ✓ How well is the company managing key risk & opportunities?
- ✓ What is the overall assessment of how company is managing ESG Risk and opportunities?
- ✓ How does it compare to its Global industry peers.

Bloomberg ESG Disclosure scores:-

- It is an ESG data system that provides ESG information for over 11,800 companies in more than 100 countries.

- Their ESG data includes topics such as
  - climate change
  - Human Capital
  - Shareholders Rights.

- ESG Disclosure Score ranks Companies on their level of ESG disclosure and span key sustainability topics.

Thomson Reuters:-

- It uses more than 400 different ESG metrics; of which a subset of 186 fields are selected, with history going back 2002.

- ESG metrics are then grouped into 10 categories

Advantage of ESG Ratings:- Pts. of common concern

- Resources.
- Use
- Emission
- Innovations
- workforce
- human Rights
- community
- product Responsibility
- management
- STK & CSR.

- Unsurprisingly, people prefer to invest in companies that manage their risk better than their competitions.

- Companies with High ESG score appear
  - sustainable
  - Boast fewer liabilities
  - build positive brand reputation
  - maintain strong relationship with their clint & stakeholders

- As a result of these companies have an advantages when attracting
  - talent
  - Impressing consumers
  - Raising Capitals.

- There are 5 main benefits small to mid-sized companies can gain by starting on ESG programme.

Competetive Advantage:-

- Having ESG programme in place helps boost brand recognition & even promotes brand loyality.

- Todays Consumers & clients { Increasing aware of ethical spending & care more about what company does to support Sustainability.

- Small & mid Sized Companies that have taken step to meet Sustainability concern have been known to attract more customer and clints.

- Small and mid sized companies can create value by having ESG Programme.

- In past; it was harder to track and be consistent when it came to ESG data & took extra resources.

- Today ESG data management is simple with software programme that allow for the ability to consolidate information such as tracking green house gas emission, energy data, utility data sync, waste management etc.

2. Cost Reduction:.

- By Implementing ESG Programme :.
Small & mid size Companies can track key metrics like ✓ Energy consum. ✓ water " ✓ waste / shipping / treatment cost ✓ Raw material Usage.

- tracking ability is a prerequisite for companies to plan programme to improve efficiency.

- which leads to Reduce cost associated with energy & water usage and water transport.

- In addition to improving cost management; ESG programme allows for operational efficency, less exposure to fine/penalities, better risk management and improved innovations.

③ more attractive to lenders and investors:-

- Attracting the attention of investors and lenders is one of the biggest advantages of on having ESG programme.

- Investor and lender are gaining interest in companies with ESG programme in place over those without.

- Various study shows that companies, stand out to both Investors & lender b'coz they tend to outperform their competition, who made ESG priority.

④ Supply chain products:-

- much like investor are paying attention to ESG, many companies are looking for supply chain partner that embrace Sustainability efforts.

⑤ Attraction & Retention of talent:-

- Todays: many job seekers are no longer looking for just paycheck. they want to
  - ~~enjoy~~ their job
  - feel appriciated
  - make positive impact.

  goal oriented

- working with strong ESG companies appears to be top factor for "Ex" Job Satisfaction; along with ~~ESG goal~~, evidence that the company "walk the walk" by putting its stated goals into practices.

Some other benifits are as follows:-

1. promote company growth and improves financial performances.
2. Raises corporate transparency.
3. Strengthen risk management.
4. promotes stakeholder engagement.

PART-C
Emerging Mandates from Govt & Regulators:

ESG Reporting in India:-

- ESG Reporting in India commenced in 2009 with MCA issuing voluntary guidelines on CSR.
- Ever since reporting framework come a long way with introduction of (BRR), CSR, NGRBC & Newely introduced BRSR.
- The Companies Act, 2013 introduced one of the 1st ESG disclosures requirement for Companies.
- Section 134(m) mandates companies to include a report by BOD on conservation of energy along with Annual financial statement.
- This requirment further detailed under Rule 8(3)(A) of Companies (Accounts) Rules, 2014; which mandates Board to provides Info regarding conservation of energy.

- Further it is a statutory duty of a director of an Indian company to act in good faith in order to promote the object of company for benifits its member as a whole and in the best interest of
  - company;
  - Employee
  - shareholders
  - community
  - for protection of envairment.

(All of common to same)

- In Addition to this; companies are mandated to include disclosures on opportunities, threats, Risk & concern → BRSR/R 34(3).

- sebi introduced the requirement of ESG reporting back in 2012 and mandated that top 100 listed entities by mc to file BRR.
  500 " → in 2015.

2017 → sebi issued Circular on
↳ "Disclosures requirments for issuance and listing of green debt Securities".

- it supplements the sebi (issue and listing of debt Securities) Reg 2008.
- In addition sebi Circular; Indian bank Association (IBA) also released the national voluntary guidelines for responcible financing, laying down Boards and general principles towards "Integrating ESG Risk management in to FI's
  - Buiness stretegy
  - decision making Process
  - & operations.

- On 10th may 2021, sebi Introduced new reporting requirements on ESG parameters called the (BRSR) by Amending regulations 34(2)(f) of sebi (LODR) 2015.

- BRSR seeks disclosures from listed entity on their performance against the nine principles of the " National Guidelines on Responsible Business conduct (NGBRCs) and reporting under each principle divided into essential & leadership Indicators.

- Essential Indicator required to report on a mandatory basis while reporting of Indicators required to report on voluntary basis.

ESG Regulation Around the World:-

- ESG becomes a topic of much discussion and debate

  - various stakeholders
  - such as employee,
  - Investor
  - customers
  - Government
  - Regulatory Agencies

  Are all emphasizing the importance of sustainable management.

- The Integration of Sustainable practices into Corporate Strategy is now Increasingly considered as a prominent way to meet SH's expectation and requirment of company ESG criteria.

- International Std such as the United Nations principles of Responsible Investment (UNPRI), Task force on Climate related financial disclosures (TCFD) & (GRI) have Recently Advocated different suggestion to Improve ESG Reporting.

- Regulatory landscape is moving in tandem, especially concerning ESG disclosures and transparency obligations which are ever expanding pool of sustainable investors rely on determine how well financial services & products meet their pre-defined ESG criteria.

- According to study conducted in Australia;
  ↳ Reporting legislations distinctly influence the intention of ESG discloures of companies in the metal & mining sector.

- However these monumental changes to regulatory landscape are more than just a compliance requirments.

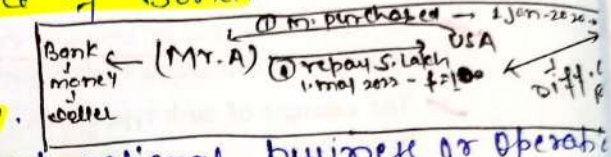
- There are an opportunity for buiness to make a fundamental choice by approaching the emerging ESG disclosures regulations to comply or recognize this as a long term change in their buiness strategy.

Financial Risk:

(1) **Market Risk:**
→ Risk Associated with market ups & downs.
→ Risk of loss arising from the change in price/economic value of goods or financial assets.
→ it may be absolute (Term Currency/rupee) and relative(

(a) **Interest Rate Risk:**
→ Connected with the Interest factor.
→ Adversly affects value of fixed Income securities.
→ Increase in I. Rate → Reduce the Price of bond/deb & vice v
→ Inverse relationship with price of Bond.

(b) **Currency Risk:**
→ Votality in the currency rate.
→ Affect the firm/org having International business or Operati
→ Risk depends upon Nature of transaction with external market.



(c) **Commodity Risk:**
→ Risk is associated with absolute change in price of commodity.

(d) **Equity Risk:**
→ Depreciation in investment value due to change in market Inde

(2) **Credit Risk:**
→ when a counter Party is unable to fulfill their Contractua obligations.
→ Risk is directly related to probability of default and recovery date.
Ex:- PNB —loan→ Neerav Modi (Borrower may not repay to loan)
may default.

(3) **Liquidity Risk:** (Means company Having cash Crunch)
→ Risk is due to mis-match in cash flow i.e absence of adequa
→ it is completly diffrent from solvency.
→ it is possible that firm in sound position as per Balance sheet b current assets are not in the form of cash it may not make

(a) **Trading Risk:**
→ Absence of the Liquidity to undertake buy & sell activities -
→ Inability to makes sales or Purchase of securities.

(b) **Funding Risk:**
→ Inability to manage fund by either borrowing or sale of assets/Sec

Chart: F.R

- **Market Risk**
  - Mkt ↑↓ down
  - Chang in price
  - absolute & rel.
  - Commodity: Change in Comm price.
  - → **Interest**: Interest factor, Effect fixed Income, ↑Rate ↓Price of Sec.
  - → **Currency**: Volatility, International business
- **Credit**
  - → Party unable to repay/fulfil ob.
  - → Directly related to default.
- **Liquidity:**
  - → mis match in cash flow
  - → current Assets ✗
  - (1) Trading: Buy & Sell ✗
  - (2) funding: fund → borrowing & sales ✓

④ Operational Risk:-
→ it arises due to
- Inadequate system
- system failure
- obsolence risk
- management failure
- etc.

or due to faulty control or Human error.

→ To avoid operational Risk clear separation of responsibility with strong internal control is Needed.

⑤ Obsolence Risk:-
→ Due to Rapid changing world obsolescence risk is fast emergin
→ it may lead to closure of unit also.
Ex:- Nokia, Publishing companies.

⑥ Legal Risk:-
→ Risk arises when parties does not have the legal or regulatory authority to engage in transactions.
→ It also Include the complance and regulatory Risk.

⑦ Political / country Risk:-
→ Risk arises due to change in Government or declaration of elec
→ It may arise due to out-break of war between countries.

Non-financial Risk:-

① Business / Industry / Services Risk:-
→ Uncertainity in profit or danger of loss.
→ Risk due to some unforseen event in future.
→ Possibility of inadequate profit or even loses due to increase competition, change in preference, change in Government Policies

② Strategic Risk:-
→ Unsuccessful business Plan since its inception may lead to Stretigic Risk.

Chart

- Financial
  - ① Operational ← Inadequate system, system failure, management failure
    - ↳ If wants to avoid → clear separation of ownership.
  - ② Obsolence Risk:- it may lead to closure of unit
  - ③ Legal Risk:- Compliance & Regulatory Risk
  - ④ Political Risk:-
    - ↳ change in Govt or declaration of election, outbreak b/w to countries.
- Non-financial
  - ① Business / Industry:-
    - ↳ Profit or danger of loss
    - ↳ unforseen event in fut
  - ② Stretegic Risk:-
    - ↳ unsuccessful business Pla

③ Compliance Risk:-
→ Risk arises due to Non-Compliance or breach of law/Reg.
→ It may lead to deterioration of Public Image of org.

④ Fraud Risk:-
→ Fraud is committed through abuse of System, control Procedu[re]
and working Practices.
→ May be Performed by insider/outsider.
→ Attempted by most trusted employee.
→ may not be usually detected immediately.

⑤ Reputational Risk:-
→ Due to Negative Public openion.
→ Arises from failure to assess and control compleances Risk.

⑥ Transaction Risk:-
→ failure or Inadequacy of Internal System, Information, Cha[nnel]
employee Integrity etc.

⑦ Disaster Risk:-
→ Natural calamities.

⑧ Regulatory Risk:-
→ Due to change in Government Policies and Percipitions.

⑨ Technology Risk:-
→ failure of System caused due to tampering of Data.

② Strategic Risk:-
→ Unsuccessful business Plan since its inception may lead to Stretigic Risk.

Chart

Financial

① Operational
- Inadequate System
- System failure
- management failure

→ of conte to avoid → clear Sepration of ownership.

② Obsolence Risk:- it may lead to closure of Unit

Non-financial

① Business/Industry:-
- Profit or danger of loss.
- Unforseen event in fu[ture]

② Stretegic Risk:-
- Unsuccessful business Pla[n]