# TD POWER SYSTEMS LIMITED

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## ENTERPRISE RISK MANAGEMENT POLICY (ERM)



TD Power Systems Limited
Bengaluru

## 1. Overview

Risk management is a fundamental aspect of effective organisational governance. It ensures the organisation's resilience and sustainability in a constantly evolving business environment. Every business activity carries a correlation between risk and opportunity, making it essential to identify, assess and manage risks to minimize threats and seize opportunities.

This policy establishes a structured and consistent framework for risk management, enabling the organization to proactively anticipate and address potential challenges while aligning with its strategic and operational goals. By integrating risk management into decision-making and business processes, the Company aims to enhance accountability, optimize resource allocation, and create long-term value for its stakeholders.

## 2. Statutory Framework

The enterprise risk management policy is framed as per requirements under the Companies Act 2013 ("the Act") and SEBI (LODR) Regulations 2015 as follows:

### A) Responsibility of the Board of Directors

**As per Section 134 (3)(n) of the Act.**

The Board's report shall include *"a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company. "*

**Regulation 4(2)(f) of SEBI LODR**

The Board of Directors shall ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

**Regulation 17(9)(b) and Regulation 21(4) of SEBI LODR**

*"The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the Company."*

"The Board of Directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.

**As per Schedule IV [Part II-(4)] of the Act.**

*Independent Directors shall "satisfy themselves on the integrity of financial information and that the financial controls and the systems of risk management are robust and defensible."*

**B) Role of Committees**

**Audit Committee** **And** **Risk Management Committee**

**As per Section 177 (4)(vii) of the Act and Schedule II Part C of SEBI LODR**

The 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."*

**Regulation 21 & Part D – Schedule II – of SEBI LODR**

Risk Management Committee shall formulate and oversee the implementation of a risk management policy, including evaluating the adequacy of the risk management systems.

## 3. Applicability

The Policy is applicable to TD Power Systems Limited.

## 4. Objective

TDPS recognizes that like in all Businesses, it's strategic objectives are prone to Risk, which must be assessed and mitigated to ensure that they do not hinder the achievement of the organizational values and goals or undermine business sustainability.

This policy outlines the framework of Enterprise Risk management at TDPS with an objective to create and protect stakeholders' value by minimizing risks/threats and maximizing the opportunities that support the Company's strategic and operational objectives.

Risk Management is a shared responsibility across the organization. The proactive identification and management of risks will be actively encouraged and supported at all levels of the Company, ensuring that risk management is integrated into everyday decision-making.

## 5. Definition

a) Audit Committee – refers to a Committee of the Board of Directors of the Company constituted in accordance with the provisions of the Companies Act 2013 and the SEBI LODR.

b) Board - As per Section 2 of the Companies Act, 2013, the Board refers to the collective Body of the Directors of the Company.

c) Company – means TD Power Systems Limited.

d) LODR – refers to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended from time to time.

e) Risk – Refers to an event or condition that could have a negative impact on the Company's objectives, performance, or operations. This includes but is not limited to financial, operational, strategic, compliance-related risks, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks etc.

f) Risk Management Committee – refers to a Committee of the Board of Directors of the Company constituted under the provisions of SEBI LODR.

## 6. Risk Management Approach

### 6.1. Risk Assessment

Risk assessment is a crucial process in identifying, analyzing, and addressing potential risks that could impact TDPS. It consists of the following key steps:

**a) Risk Identification**

Risk identification involves determining risks which are likely to affect TDPS and documenting the characteristics of those risks. This is an iterative process (it is not a one-off event, but must be repeated on a periodic-basis) and should address both internal and external risks to the Company. A well-structured systematic process is essential, as a risk not identified at this stage may be excluded from further analysis. The objective is to develop a comprehensive list of risk sources and events that could impact the Company's objectives or outcomes.

When describing a risk event, it is important to outline:

- How the risk event might happen,
- Why the risk event may happen, and
- Who or What might be impacted

**b) Risk Categorization**

The Company has developed an Integrated Management Systems Manual that aligns with International Standards: ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. This manual broadly encompasses all risks that the Company may face internally and externally under different categories such as operations, strategic, financial, legal & Compliance, reputational, information and technology.

The manual provides detailed procedures and guidelines for assessing the likelihood of risk occurrence and implementing prevention measures. The manual is updated periodically to ensure its relevance for effective risk management.

To ensure the integrity of the Company's accounting, financial reporting and compliance with the applicable laws, the Company has implemented internal finance controls, which strengthen the overall risk management systems of the Company. These controls are periodically audited by the Company's auditors.

**c) Risk Analysis and Prioritization**

Risk analysis involves evaluating the severity of identified risks and prioritizing them based on their potential impact and likelihood. The risks are rated based on financial consequence (quantitative) as well as operational effectiveness (qualitative).

- Quantitative: Risks are rated purely based on financial consequences.
- Qualitative: Risks are rated based on their potential impact on business continuity, operational effectiveness, reputation and non-financial outcomes.

Furthermore, as per the ISO Manual, risks are categorized into three levels: Low, Medium and High.

- Low: The existing prevention measures are adequate and are periodically reviewed. Internal actions are integrated and practiced within the system.
- Medium: The risk is managed using existing practices and procedures with periodic reviews to assess the adequacy of actions.
- High: Additional preventive measures will be implemented to effectively manage the risk.

**d) Risk Response**

Risk response consists of determining the appropriate action to manage risks based on their categorization. This involves identifying existing response strategies and any additional measures needed. Accordingly, ownership and responsibilities for risk response are articulated and approved.

**e) Risk Management Structure**

The following key roles and responsibilities define the structure for effective risk management:

| Level | Key Roles & Responsibilities |
|---|---|
| Board of Directors | Development and implementation of a risk management policy , monitoring and upgradation of the policy and all it's elements to ensure that the Risk management objectives are optimized. |
| Audit Committee | Evaluation of internal financial controls and risk management systems |
| Risk Management Committee | a) Formulate and oversee the implementation of a risk management policy, including evaluating the adequacy of the risk management systems.<br>b) coordinate its activities with other committees, in instances where there is any overlap with activities of such committees |
| Risk Owners | a) Understanding the issues and its impact.<br>b) Performance assessment of mitigating controls. |

### f) Risk Monitoring

Risk monitoring is an essential process to ensure that potential threats are identified, assessed and managed effectively. The Company monitors risks on an ongoing through each Head of Department (Risk Owner) and reports them to the Risk Management Committee periodically or need basis. These reports includes information on TDPS's risk profile, the severity of risks and the status of risk response plans. Depending on the severity, the risks are also reported to the Audit Committee, and the Board of Directors on a quarterly basis.

### g) Communicate and Consult

Communication facilitates a holistic approach to identifying, assessing and managing risk and fostering a culture where both positive and negative dimensions of risk are openly discussed. Involving stakeholders across all levels of management create an environment where risks and their associated response strategies are viewed as an integral part of decision-making.

Effective risk management incorporates diverse perspectives, helping to mitigate biases in risk understanding and decision-making.

### h) Training and Awareness

The Senior Management is committed to ensuring that risk management training is prioritized and that all employees understand the Company's approach to risk management. This includes;

- Emphasising training on risk management to improve process controls.
- Ensuring all employees are aware of and understand the Company's risk management practices.

- Ensuring all employees understand basic concepts and benefits of risk management principles in day-to-day operations.

For this purpose, Risk Owners in association with the process Owners will conduct training programs to encourage employees to actively contribute to the risk management process. Professional assistance shall also be taken when necessary to enhance training efforts.

## 7. Business Continuity

The Company is committed to ensuring the continuity of its by maintaining an effective Business Continuity system. The Company achieves this through the following key measures;

- **Risk Identification and Mitigation**: identifying, assessing and mitigating both internal and external risks that could disrupt the Company's operations in alignment with the risk management framework.
- **Resource allocation**: Ensuring that adequate resources are allocated to critical business functions and activities to maintain operational stability during disruptions.
- **Proactive System Development:** Strengthening internal systems and capabilities to meet the expectations of stakeholders, ensuring resilience in times of crisis.
- **Contingency and Disaster Management Plan**: a documented list of situations/events their probabilities of occurrence and the corresponding contingency plan.
- **Compliance with Legal requirements**: Adhering to all relevant laws, regulations, standards and statutory requirements applicable to the Company, ensuring that continuity plans are compliant and up to date.
- **Continuous Improvement:** Regularly developing and improving policies, training key stakeholders and testing the Company's readiness through mock drills and internal audits to ensure effective business continuity preparedness.

## 8. Policy Review & Amendments

Risks in the business environment are constantly evolving, necessitating regular assessments to ensure the policy remains relevant and effective. Therefore, this policy will be reviewed at least once in two years.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

*Last Modified on February 06,2025*

TD Power Systems Limited Bengaluru