

Voltamp Transformers Limited

## **Risk Management Policy of Voltamp Transformers Limited**

The purpose of the Risk Management Policy is to institutionalize a formal risk management function and framework in the company. This policy is drafted in pursuant to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended. Additionally, the increasingly dynamic external environment presents risks to the existing business. To navigate through the likely business risks, Voltamp Transformers Limited (VTL or the Company) has formulated a Risk Management Policy.

**The Risk Management Policy aims to cover, amongst others, the following key internal and external areas / risks:**

### **Financial Risk:**

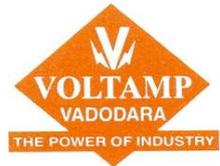
The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The impact of these risk components may adversely affect the Company's results should be closely monitored. Investment risk can be defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment. Essentially, risk management occurs when the Company analyzes and attempts to quantify the potential for losses in an investment.

Multiple levers mitigate these risks, and the selection of a lever may depend on the cost-benefit analysis and the extent of exposure. The Company works on an ongoing basis on cost reduction, weight reduction, alternate materials and process improvement exercises. The Company also considers localization of imports/ global sourcing to ensure lowest cost option in sourcing of parts/raw material.

### **Operational Risk:**

Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may affect the operations of the Company. Given the scale of operations, even the slightest disturbance can have a significant impact on work force or revenue. Operational Risk can be viewed as part of a chain reaction: overlooked issues and control failures — whether small or large — lead to greater risk materialization, which may result in an organizational failure that can harm a company's bottom line and reputation.

The Company should develop effective operational risk management ('ORM') of operational risks which encourage more informed risk taking decision and for managing risks in each of the Business Operation areas.



Voltamp Transformers Limited

### **Sustainability Risk:**

Economic, Social and Governance (ESG) risks are leading to significant disorders across many organizations however, some organizations also see it as a competitive advantage. Emerging global scenarios as the pandemic bring along serious uncertainties for businesses both in domestic as well as global markets. There has also been a shift in spending patterns in some of the markets and businesses had to come up with innovative practices to manage this. Climate change has made the mobility sector focus even more on the non-traditional energy sources.

With a focus on long-term value creation, VTL identifies and closely monitors the risks under the ESG bucket. The organization should ensure timely escalation of critical risks and development of a suitable mitigation plan to manage those.

### **Information & Cyber Security Risk:**

With an ever-increasing dependency on the IT networks, the Company has a significant focus on the Cyber Security threats. The Company identifies cyber security risks based on evolving threat situations like phishing, PDF Scams, Malware & Ransomware, Database Exposure, Credential Stuffing, Accidental Sharing, Man in the Middle Attack. In recent times, the Cyber Security has been strengthened even more and the mitigation actions should be monitored periodically.

### **Regulatory Risk:**

In the ever changing regulatory requirements and laws, non compliance with applicable laws results in huge liability and degrade the reputation of the Company. These required the Company to comply with applicable standards while manufacturing and moving the transformers as well as periodic & event based compliances with various Government authorities. The Company has proper systems in place prevent non-compliance of applicable laws to VTL. Further, the Company should constantly monitor and comply with the frequent changes in the domestic and global norms.

### **Business Continuity Planning (BCP) :**

VTL recognizes the importance of BCP for the smooth running of business particularly during unfavorable times, including pandemic. The Company focuses on business continuity, both from a business operations sustainability view point as well as employee welfare measures perspective.

A team of executives' as part of developing a BCP, should focus especially on key action steps, roles and responsibilities, trigger mechanisms, turnaround times etc. to be always prepared to tackle any situation that can potentially affect the business operations.

### Steps in Risk Management:

Risk management is a shared responsibility. The risk management process model includes the following key activities, performed on a continuous basis:



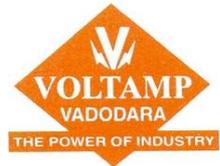
### **Risk Identification:**

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of analysis of related data, previous internal audit reports, past occurrences of such events etc.

### **Risk Assessment:**

Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential Impact may include:

- Financial loss;
- Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
- Loss of talent;



Voltamp Transformers Limited

- Health, Safety and Environment related incidences;
- Business interruptions / closure;
- Loss of values, ethics and reputation.

The likelihood of occurrence of risk is rated based on number of past incidences in the industry, previous year audit observations, future trends or research available.

Risk may be evaluated based on whether they are internal and external, controllable and non-controllable, inherent and residual.

#### **Risk Analysis:**

Risk Analysis is to be conducted for likelihood and Impact, taking the existing controls into consideration. Risk events assessed as “high” or “very high” criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

#### **Risk Treatment & Mitigation:**

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

#### **Risk monitoring & reporting:**

While the Company will be monitoring, evaluating and responding to risks. Such risks need to be reported to the Risk Management Committee and Board. The responsibility for compliance with the policy lies with the Risk Management Committee.

#### **Policy Review:**

This policy shall be reviewed periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity to ensure effectiveness and that its continued application and relevance to the business.

Feedback on the implementation and the effectiveness of the policy will be obtained from the risk reporting process, internal audits and other available information.