



DIVGI TORQTRANSFER SYSTEMS LIMITED

RISK MANAGEMENT POLICY

Document Control

Created by	Company Secretary and Compliance Officer
Reviewed by	Risk Management Committee on June 09, 2022
Approved & adopted by	Board of Directors on August 09, 2023
Version	2.0/2023

Document Record Sheet

Sr. No.	Revision No.	Date	Description of changes
1.	First	August 09,2023	Insertion of definition of "Senior Management Personnel pursuant to amendment by SEBI and approval by Board of the same in its meeting held on August 09, 2023.

Divgi TorqTransfer Systems Limited ("the Company") considers ongoing risk management to be a core component of the Management of the Company and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.

The Company's Risk Management Policy ("the Policy") outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”).

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

- i. The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as “Committee”) who shall periodically review this Policy of the Company so that the Management controls the risk through a properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.
- ii. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the business managers. They are best positioned to identify the opportunities and risks they face, evaluate these, and manage them on a day-to-day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

Objective of Risk Management Policy:

The objective of risk management policy of the Company is to develop a risk intelligent culture that supports decision making and helps improve performance. Specifically, the Company intends to achieve the following objectives:

- a. Better understand the Company’s risk profile and develop a common understanding of risk & risk management process across the Company.
- b. To identify & manage uncertainties which may have significant potential impact on the Company’s objectives & values.
- c. Ensure that the Management is in a position to make informed business decisions based on risk assessment.
- d. Contribute to safeguard Company’s value and interest of all stakeholders; and
- e. Improve compliance with good corporate governance guidelines and practices as well as laws & regulations.

Applicability of Risk Management Policy:

This Policy shall apply to the Company including all its offices, plants, factories, processing units, projects, subsidiaries and SPVs.

The Policy shall cover all the employees, partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals, or other advisors or consultants of the Company.

Risk Management Committee is a committee which will include members of Senior Management Personnel who will be responsible for risk management of the Company. Coverage of Risk management program:

Coverage of risk assessment shall include and not be limited to the following Business cycles as a part of the Company's Business Manual:

1. Sales and Customer Support Cycle
2. Expenditure and Banking Cycle
3. Inventory Cycle
4. Financial Reporting Cycle
5. Fixed Asset and Capital Expenditure Cycle
6. Human Resource Cycle

Risk Identification

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business processes, plans and strategies. This involves providing an overview of each material risk, assessing the risk level and preparing action plans to address and manage the risk.

The risk can be classified as follows:

1. **Primary Risk:** any uncertainty, event and/or scenario that may inhibit or prevent the organization from achieving its stated business goals, vision, and mission.
2. **Secondary Risk:** any risk that inhibits the implementation of identified mitigation strategies and controls.
3. **Residual Risk:** any risk that remains after risk treatment
4. **Consequential Risk:** any unintended consequence of implementing mitigation actions for primary risks

Oversight and Management:

Board of Directors

The Board of Directors ("the Board") is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committees and Senior Management Personnel . The Committees or Management may also refer particular issues to the Board for final consideration and direction.

Risk Management Committee

The day-to-day oversight and management of the Company's risk management program has been conferred upon the Committee constituted by the Board. The Committee is responsible for

ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- review the internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- continuous improvement in Risk Management Framework to ensure global best practices;
- ensure ongoing review & compliance of the Risk Management Policy
- hold meetings on a half yearly basis or as frequently as may be required
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks;
- review and monitor cyber security; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

Senior Management Personnel

‘Senior Management Personnel’ shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

The Company’s Senior Management Personnel is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management Personnel must implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management Personnel should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management Personnel should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management Personnel should report regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.

Employees

All employees are responsible for implementing, managing, and monitoring action plans with respect to material business risks, as appropriate.

Review of risk management program

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management Personnel aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management Personnel and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management Personnel, and employees responsible for its implementation.

Risk Management System

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high-risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal Audit findings and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's business. The Senior Management Personnel of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Audit Committee:

The Audit Committee is responsible for approving the appointment of the internal auditor and approving the Annual Internal Audit plan.

The Chief Financial Officer (CFO) in addition to their general and specific responsibilities, be responsible for the co-operation necessary to assist the Internal Auditor in carrying out internal audit.

Internal Audit function is independent of the external auditor and to ensure its independence, has direct access to the CFO and Audit Committee.

Any deviations from the Company's policies identified through internal audits are reported to responsible management for action and to the Audit Committee for information or further action.

The roles & responsibilities of the Audit Committee shall be to:

- Review adequacy and effectiveness of business risk management
- Determine and review the Company's risk appetite
- Review and approve (internal and external) audit plans
- Monitor business risk reporting
- Evaluate internal financial controls systems

Distribution Of Policy

Distribution of policy shall be controlled centrally in the organization on the basis of the Business Manual. The Business Manual shall be classified as 'Confidential' as it sets out in detail the procedures and policies to be followed by the company in order to establish standard financial systems and specific policies, provisions, and procedures towards controlling financial transactions. It also helps to control receipts of safeguarding and record funds, revenues, expenditures, accruals, and other mandatory commitments. All the Functional Heads and Board, who shall be given access to this Business Manual and Business processes shall be instructed to keep the copies in their safe custody.

Risk Appetite

The Risk Appetite shall be prepared by the Risk Management Committee and reviewed annually or earlier if the need arises based on the Audit observations from the Internal Auditor and Statutory Auditors. The Risk Appetite recommended by the Risk Management Committee shall be approved by the Audit Committee and Board after suggesting changes, if any.

Amendment:

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or

its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.