

QUALITY POWER ELECTRICAL EQUIPMENTS LIMITED

NSE: QPOWER | BSE: 544367

RISK MANAGEMENT POLICY

Adopted by the Board of Directors under Regulation 21 of the SEBI Listing Regulations

Document	Version	Approved by	Next review
Risk Management Policy	Version 1.0 Effective from 09.08.2026	Board of Directors on the recommendation of the Risk Management Committee	Within two years of approval, or earlier if required

1. PURPOSE

Quality Power Electrical Equipments Limited manufactures high voltage electrical equipment and delivers solutions for grid connectivity and the energy transition across more than one hundred and twenty countries. The business is capital intensive, technically demanding, exposed to long project cycles and dependent on decisions taken by utilities, regulators and governments in many jurisdictions. Risk is therefore inseparable from the way the Company earns its returns.

This Policy sets out how the Company identifies risk, decides how much of it to carry, assigns ownership for managing it and reports on it. It is written to be used by the Board, the Risk Management Committee and operating management as a working document rather than as a compliance formality.

The Policy is adopted under Section 134(3)(n) of the Companies Act, 2013 and Regulations 4(2)(f), 17(9) and 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which require every listed entity among the top one thousand by market capitalisation to constitute a Risk Management Committee and to maintain a documented risk management framework.

2. SCOPE

This Policy applies to every business unit, division, plant and corporate function of the Company, under its present organisation structure and as that structure evolves. It covers all categories of risk, including strategic, financial, operational, sectoral, legal and regulatory, sustainability and ESG related, information technology and cyber security risk, and any further category the Risk Management Committee may determine.

Subsidiaries, joint ventures and associates, including Mehru Electrical and Mechanical Engineers Private Limited, Endoks Enerji A.S. and Sukrut Electric Company Private Limited, remain accountable to their own boards for risk oversight. Those boards are expected to adopt a framework consistent with this Policy, and the Risk Management Committee of the Company shall periodically review the risk profile of the group as a whole.

3. TWO DEFINITIONS

Risk is the possibility of an event affecting the achievement of the Company objectives, favourably or unfavourably, measured by how likely it is and what it would cost or gain. **Risk management** is the disciplined process of identifying, assessing, treating, monitoring and reporting those events against a defined tolerance.

4. RISK APPETITE

The Company accepts risk where it is understood, priced and controlled, and where the return justifies the exposure. It does not accept risk in the following areas, which are treated as boundaries rather than as matters of judgement:

- Safety of people at any facility or project site.
- Compliance with applicable law, listing obligations and the Code of Conduct, including insider trading and anti bribery requirements.
- Product quality and type test conformity on equipment supplied to transmission utilities.
- Integrity of financial reporting and of price sensitive information.

Outside these boundaries, the Company is prepared to take considered risk in pursuit of growth, in particular in new geographies, new product platforms, capacity expansion and acquisitions, provided the exposure is quantified in advance, the mitigation is defined and the decision is escalated to the level of authority in accordance with the risk rating criteria set out in Section 8.

5. WHO IS ACCOUNTABLE

The Company follows a three-lines model. Operating management owns and controls risk, the corporate functions and the Risk Management Committee set the framework and challenge it, and Internal Audit provides independent assurance.

Level	Line	What it is accountable for
Board of Directors	Oversight	Approves this Policy and the risk appetite, reviews the principal risks and the adequacy of mitigation at least annually, and satisfies itself that management has an effective framework in place.
Risk Management Committee	Second line	Owens the framework, reviews the risk register and rating criteria, monitors implementation and reports to the Board. Detailed terms of reference are at Section 6.
Audit Committee	Second line	Reviews the adequacy of internal financial controls and the internal audit findings, and coordinates with the Risk Management Committee to avoid duplication of coverage.
Managing Director and Joint Managing Director	First line	Set the tone, allocate resources to mitigation, and are accountable to the Board for the operation of the framework across the group.
Risk Owners: function and plant heads	First line	Identify risks in their area, maintain controls, execute mitigation actions to agreed dates, and escalate promptly when a risk moves outside tolerance.
Company Secretary and Compliance Officer	Second line	Custodian of this Policy and the risk register. Convenes the Committee, compiles the reporting pack and tracks closure of actions.
Internal Audit	Third line	Independently tests whether the controls management relies upon are actually operating, and reports findings to the Audit Committee.

6. RISK MANAGEMENT COMMITTEE

Constitution and meetings

The Committee shall have at least three members, a majority of whom shall be members of the Board, including at least one Independent Director. The Chairperson shall be a member of the Board. Senior executives may be appointed as members. The Committee shall meet at least twice in a financial year, with not more than one hundred and eighty days between consecutive meetings. The quorum shall be two members or one third of the members, whichever is higher, including at least one member of the Board in attendance.

Terms of reference

1. To formulate a detailed risk management policy which shall include:
 - a) A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG-related risks), information, cyber security risks or any other risk as may be determined by the risk management committee;
 - b) Measures for risk mitigation including systems and processes for internal control of identified risks; and
 - c) Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

3. To monitor and oversee implementation of the risk management policy of the Company, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy of the Company, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. To set out risk assessment and minimization procedures and the procedures to inform the Board of the same;
7. To frame, implement, review and monitor the risk management policy for the Company and such other functions, including cyber security;
8. To review the status of the compliance, regulatory reviews and business practice reviews;
9. To review and recommend the Company's potential risk involved in any new business plans and processes;
10. To review the appointment, removal and terms of remuneration of the chief risk officer, if any; and
11. To perform such other activities as may be delegated by the Board and/or prescribed under any law to be attended to by the Risk Management Committee.

7. HOW THE PROCESS WORKS

The Company follows a five step cycle. It runs continuously at the operating level and is formally refreshed at least twice a year for the Committee.

	Step	What happens
1	Identify	Each risk owner lists the events that could prevent the objectives of the function from being met, describing how the event could occur, why it could occur and what it would affect. Identification draws on order book review, project reviews, quality and safety data, audit findings, customer feedback and external market intelligence. It is repeated, not done once.
2	Assess	Each risk is scored for impact and likelihood on the scales in Section 8, both gross and net of existing controls. Scoring is quantitative where a financial consequence can be estimated and qualitative where the consequence falls on safety, reputation or operational capability.
3	Respond	The owner selects one of four responses: avoid the activity, reduce the exposure through controls, transfer it through insurance or contract, or accept it consciously within appetite. Every response carries a named owner and a completion date.
4	Monitor	The risk register is updated as conditions change. Owners track whether controls are working, whether the residual score has moved and whether new risks have emerged. Overdue mitigation actions are flagged.
5	Report	Risks are reported upward on the calendar in Section 9. Material risk information is disclosed externally in accordance with the Listing Regulations and the policy on disclosure of material events.

8. RISK RATING METHODOLOGY

Risks are rated on a five by five scale. The impact and likelihood ratings shall be assessed having regard to both financial and non-financial consequences and shall be considered both before and after taking into account existing controls and mitigation measures.

The risk rating methodology and criteria shall be reviewed periodically by the Risk Management Committee and approved by the Board, and may be revised as the Company grows or as its business, operations and risk profile evolve.

Impact

Rating	Financial effect	Non financial effect
5 Severe	Above INR 50 crore	Fatality, loss of a manufacturing facility, disqualification from a major utility approval list, or a matter that would require immediate disclosure to the stock exchanges.
4 Major	INR 20 crore to 50 crore	Serious injury, loss of a key customer or a flagship order, extended plant shutdown, or a regulatory penalty.
3 Moderate	INR 5 crore to 20 crore	Liquidated damages on a project, a type test failure requiring redesign, or a reportable quality escape.
2 Minor	INR 1 crore to 5 crore	Localised schedule slippage, rework contained within the plant, or a customer complaint closed internally.
1 Low	Below INR 1 crore	Absorbed in normal operations with no effect outside the function.

Likelihood

5 Almost certain	4 Likely	3 Possible	2 and 1 Unlikely to rare
Expected in most years, or already occurring	More likely than not within two years	Could occur within three to five years	Has not occurred and is not expected in the planning horizon

9. REPORTING CALENDAR

What	Prepared by	Escalated to	Frequency
Functional risk register update	Function and plant heads	Managing Director	Quarterly
Consolidated risk register and dashboard of critical and high risks	Company Secretary and Compliance Officer	Risk Management Committee	Half yearly
Committee report on discussions, recommendations and actions	Chairperson of the Committee	Board of Directors	After every Committee meeting
Adequacy of internal financial controls and audit observations	Internal Audit	Audit Committee	Quarterly
Group risk profile covering subsidiaries and joint ventures	Chief Financial Officer	Risk Management Committee	Annually
Statement on risk management in the Board report and the Business Responsibility and Sustainability Report	Company Secretary and Compliance Officer	Board of Directors	Annually
Severe risk event or material adverse event	Risk owner	Managing Director and Committee Chairperson	Immediately

10. PRINCIPAL RISKS

The risks below are those currently assessed as principal to the Company. The list is indicative and shall be reviewed and updated by the Risk Management Committee to reflect changes in the business environment, strategic initiatives and emerging exposures. It is not a substitute for the full risk register.

Risk	What it means for the Company	How it is managed	Owner
Dependence on power sector capital expenditure	Growth is linked to investment in transmission infrastructure, renewable integration and grid modernisation. A slowdown in public or private capital expenditure would affect order inflow and revenue visibility.	Diversification of the customer base across domestic and international markets, expansion of product applications, and participation in renewable and grid modernisation programmes.	Joint Managing Director
Commodity price volatility	Exposure to prices of copper, aluminium, CRGO steel, porcelain and insulation materials, which move the cost of long duration orders after the price is fixed.	Strategic procurement planning, long standing supplier relationships, price variation clauses in selected contracts and back to back ordering on large projects.	Head of Supply Chain
Project execution and delivery	Engineering complexity, supply chain disruption, delays in customer approvals and logistics can delay milestones, trigger liquidated damages and defer revenue recognition.	Structured project management, milestone tracking and escalation, capacity planning across Sangli, Kupwad, Cochin, Mehru and Endoks, and coordinated vendor management.	Chief Operating Officer
Working capital intensity and receivables	Long project cycles, inventory holding and payment linked to milestones absorb working capital. Failure to assess customer credit standing can lead to overdue receivables and higher finance cost.	Credit assessment before order acceptance, monitoring of the cash conversion cycle, active collection and disciplined inventory planning.	Chief Financial Officer
Foreign exchange	Exports, imports, overseas operations and foreign currency contracts expose earnings and cash flow to currency movement, including translation exposure from operations in Turkey.	Natural hedging of receipts against payments, monitoring of net open positions, selective use of hedging instruments and periodic treasury review.	Chief Financial Officer
Technology change	Rapid development in transmission, HVDC and grid technology, evolving standards and shifting customer preference can shorten product life and erode the value of existing designs.	Investment in research and development, testing infrastructure, engineering talent and the qualification of new product platforms ahead of demand.	Joint Managing Director
Product quality and type test conformity	Equipment supplied to transmission utilities must pass type and routine tests. A failure in test or in service can cause rework, warranty cost, loss of approval and reputational damage.	Quality management systems at every plant, in house and accredited third party testing, design review discipline and structured root cause analysis on every field failure.	Head of Quality
Competition and pricing	The industry is competitive, with established domestic and global players and pressure from unorganised suppliers in certain product lines.	Differentiation through engineering capability, customised solutions, testing credentials and service, rather than through price alone.	Head of Marketing

Risk	What it means for the Company	How it is managed	Owner
Geopolitical and trade	Trade restrictions, sanctions, tariff changes and macroeconomic instability can affect export demand, supply chains and the operations of overseas subsidiaries.	Geographic and customer diversification, local sourcing where practical, monitoring of sanctions and trade policy, and flexibility in the manufacturing footprint.	Managing Director
Regulatory and legal compliance	The Company operates under company law, securities regulation, environmental, labour, safety and product standards across many jurisdictions. Non compliance can result in penalty, disqualification or disruption.	A compliance calendar covering all applicable law, periodic legal review, secretarial audit and prompt tracking of regulatory developments in each operating geography.	Company Secretary and Compliance Officer
Cyber security and information	Increasing digitalisation of design, manufacturing and enterprise systems, including the SAP implementation, exposes the Company to intrusion, data loss and disruption of operations.	Layered IT infrastructure controls, access management, backup and recovery testing, vulnerability assessment, and awareness training for all users.	Head of Information Technology
People and capability	Growth requires specialised engineering, testing and manufacturing skills. Loss of key people, wage inflation or industrial relations issues would affect delivery capability.	Succession planning for critical roles, structured training, competitive compensation review and constructive engagement with the workforce at every location.	Head of Human Resources
Integration of acquisitions	The Company has grown through acquisition. Value can be lost if systems, controls, culture and reporting are not integrated on the intended timeline.	Due diligence discipline before commitment, a defined post acquisition integration plan with owners and dates, and periodic review of performance against the investment case.	Joint Managing Director
Sustainability and ESG	Environmental compliance at manufacturing sites, emissions, waste, water use and stakeholder expectation on ESG performance affect access to customers and capital.	Environmental management systems at each plant, monitoring of consumption and emissions, and disclosure through the Business Responsibility and Sustainability Report.	Chief Operating Officer

11. BUSINESS CONTINUITY

The Company shall maintain a business continuity plan covering its manufacturing facilities, information systems and critical supply chain. The plan shall identify critical processes, define recovery priorities and time frames, provide for alternate sourcing and alternate manufacturing where feasible, and establish crisis communication protocols. It shall be tested periodically and reviewed by the Risk Management Committee at least once a year.

12. AWARENESS AND TRAINING

Risk management works only if it is understood by the people who make daily decisions. The Company shall ensure that risk owners are trained in the assessment and rating method set out in this Policy, that employees at every level understand the risks in their own area and the controls they are expected to operate, and that risk considerations form part of induction and of periodic refresher training. Employees are encouraged to raise emerging risks without waiting for a formal review cycle, and may do so through their function head, the Company Secretary or the whistle blower mechanism.

13. REVIEW AND AMENDMENT

This Policy shall be reviewed by the Risk Management Committee at least once in two years, and earlier if there is a change in law, a material change in the business or a significant risk event. Amendments shall be recommended by the Committee and approved by the Board. Any change required by statute or regulation shall take effect from the date it becomes applicable, whether or not this document has been formally updated, and the Policy shall then be amended to reflect it.

The approved Policy shall be communicated to all vertical and functional heads and hosted on the website of the Company. No amendment shall bind directors or employees until it has been communicated in this manner.

Approved by the Board of Directors of Quality Power Electrical Equipments Limited