



RISK MANAGEMENT POLICY

Version – 2

(Adopted by Board of Directors in the Board meeting held on December 06, 2023)

Schneider Electric President Systems Limited

Regd. Office: 5C/1, KIADB Industrial Area, Attibele, Bengaluru-562107, Karnataka

CIN: U32109KA1984PLC079103

Website: www.schneiderelectricpresident.com

INDEX

<u>S. No</u>	<u>Title</u>	<u>Page No.</u>
1.	<u>Introduction</u>	3
2.	<u>Objective</u>	3
3.	<u>Legal Framework</u>	3
4.	<u>Scope of Policy</u>	4
5.	<u>Risk Management Strategy</u>	4
6.	<u>Constitution of Risk Management Committee</u>	5
7.	<u>Risk</u>	6
8.	<u>Approvals And Amendments</u>	7
9.	<u>Annexures</u>	8

Introduction

Schneider Electric President Systems Limited (“the Company”) has formulated this Risk Management Policy in line with the provisions of the Companies Act, 2013 (“the Act”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”).

Risk exists as a consequence of uncertainty and is present in all activities whatever the size or complexity and whatever industry or business sector.

In the current times of stiff competition, where technology is ever evolving and information is available, a business must have a risk management policy to identify and mitigate risks in various aspects of the business..

The Company aims to formulate this risk management policy to be better prepared to deal with risks arising in the course of its operations and to improve the probability of achieving its strategic and operational objectives.

Objective

The objective of the policy is to ensure the commitment towards risk management so as to achieve the strategic and operational goals of the Company.

The policy explains the Company’s underlying approach to risk management. It gives key aspects of the risk management process and identifies the main reporting procedures.

Legal Framework

This policy is in compliance with:

- a. the provisions of Section 134(3)(n) of the Companies Act, 2013 which requires that the Board annually reports to the shareholders on the implementation of a risk management policy including identification and mitigation of risks relevant to the achievements of the objectives of the Company.
- b. Section 177(4) (vii) stipulates: Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—(vii) Evaluation of internal financial controls and risk management systems.

- c. Schedule IV of Companies Act 2013, [Section 149(8)] Code for Independent Directors: Role and Functions:
- Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- d. Regulation 9 read with Regulation 21 and Part D of Schedule II of Listing Obligations requires a listed company to have a risk management plan in place, pursuant to which the Board of Directors and Risk Management Committee are responsible to formulate a Risk Management Policy of the Company for identification and monitoring of risks.

Note: Relevant provisions of SEBI (LODR) will be applicable from the date of listing of the Company on the Stock Exchange.

Scope of the Policy

This policy is applicable to all operations of the business undertaken by the Company.

Risk Management Strategy

The risk management strategy of the Company, inter alia, includes the following:

1. To identify risks in the operations of the Company, the likelihood and impact and the business owner for the risk;
2. To identify and determine the control improvements to mitigate the risk;
3. To formalise and communicate a consistent approach for managing the identified risks, allocating resources in accordance with the likelihood and impact of the risk;
4. To ensure that a summary of risk identification and mitigation is reported to the Board and Audit Committee;
5. Regular monitoring, review and implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture across the Company.

Internal Control team will facilitate the Risk Assessment process to identify the critical risk and support the management in formulating the risk mitigation plan and monitoring the

same.

Constitution of Risk Management Committee

Risk Management Committee ("the Committee") shall be constituted by the Company consisting of such number of directors (executive or non-executive) as the Board may think fit.

The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

The Chairperson of the Risk management Committee shall be a member of the board of directors.

Senior executives of the listed entity may be members of the committee.

Quorum of the Committee shall be 2 members or 1/3rd of the total members, whichever is higher.

Accordingly, the Board has changed the nomenclature of its Audit Committee as *Audit and Risk Management Committee*.

The role and responsibilities of the Committee would include the following:

- The Committee shall function in terms of the terms and reference approved by the Board of Directors of the Company, which forms part of this Policy as Annexure I.
- Risk management of the Company in accordance with the risk management strategy of the Company;
- Holding periodical meetings to note emerging risks for consideration and review;
- Immediately reporting of any significant risk to the Audit Committee of the Company which in turn after discussing the severity of the risk with the Committee shall report the same to the Board of Directors of the Company for taking appropriate action;
- On receipt of any report from any stake holder of the Company regarding any existing or potential risk, the Committee shall take necessary action as it may deem fit;
- An annual report may be submitted by the Committee to the Audit Committee, wherein the Committee to present in detail the risk assessed, action taken and the actual and the probable outcomes;

Risk

The Company identifies the following as potential areas of risk on inclusive basis:

- Business risk, sectoral risk, market risk including risk on sales, margins, costs and risks on cash flow;
- Fraud risk, including risk of misreporting;
- Risk of product or service failure;
- Risk relating to safety, health and environment;
- Risks related to human resources, including talent retention; gender diversity and sexual harassment;
- Risks related to compliance with laws and regulations;
- Risks related to Business Continuity Plan, including adequacy of disaster management system.
- Risks related to information and cybersecurity

The risk Taxonomy shall form part of the policy as Annexure II.

Approvals and Amendments

The Company reserves its right to amend or modify this Policy in whole or in part, at any time as considered necessary.

Any or all provisions of this Policy would be subject to the revision/ amendment to the Listing Regulations or related circular, notification, guidance notes issued by SEBI or relevant authority, on the subject from time to time.

Any such amendment shall automatically have the effect of amending this Policy without the need of any approval by the Board of Directors or any of its Committees.

TERMS AND REFERENCE OF RISK MANAGEMENT COMMITTEE

The role of the Risk Management Committee shall, inter alia, include the following:

1. To formulate a detailed risk management policy which shall include:
 - A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability, information, cyber security risks or any other risk as may be determined by the Committee.
 - Measures for risk mitigation including systems and processes for internal control of identified risks.
 - 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, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, as and when needed, 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;

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

Annexure II

Risk Taxonomy

Nature of Risks	Risks Category	Risks Type
Event triggered risks	Environment	Climate Action Failure
Event triggered risks	Environment	Bio-Diversity loss
Event triggered risks	Environment	Human Made Environmental Damage
Event triggered risks	Environment	Scarcity of resources used in our products or in manufacturing
Event triggered risks	Business conduct	Corruption & bribery
Event triggered risks	Business conduct	Money laundering
Event triggered risks	Business conduct	Conflict of interest
Event triggered risks	Business conduct	Internal fraud and misappropriation of assets
Event triggered risks	Business conduct	Fraudulent statement (e.g. to win a deal, financial statement)
Event triggered risks	Business conduct	External fraud (e.g. fraudulent claim to SE by a customer or partner)
Event triggered risks	Business conduct	Workplace violations
Event triggered risks	Competition law	Non-compliance with competition laws and regulations
Event triggered risks	Insider trading & violation of market abuse regulations	Insider dealing
Event triggered risks	Insider trading & violation of market abuse regulations	Targeted employees not part of the blackout periods email list
Event triggered risks	Insider trading & violation of market abuse regulations	Employee not aware of the regulation
Event triggered risks	Health & Safety	Body cut injuries
Event triggered risks	Health & Safety	Machines injuries
Event triggered risks	Health & Safety	Driving injuries
Event triggered risks	Health & Safety	Falls from heights of people & objects
Event triggered risks	Health & Safety	Powered Industrial Trucks related injuries

Nature of Risks	Risks Category	Risks Type
Event triggered risks	Health & Safety	Electrical related injuries
Event triggered risks	Health & Safety	Lack of adequate ergonomics
Event triggered risks	Health & Safety	Handling & Transportation related injuries
Event triggered risks	Health & Safety	Fire at a SE location & Flammable material
Event triggered risks	Health & Safety	Equipment damage at customer worksite leading to injuries
Event triggered risks	Human rights	Child labour
Event triggered risks	Human rights	Modern Slavery including Forced labour
Event triggered risks	Human rights	Migrant Workers
Event triggered risks	Human rights	Social rights
Management practice risks	Supply chain and installed base security	Sourcing of unsecure components
Management practice risks	Supply chain and installed base security	Lack of source code governance
Event triggered risks	Third party screening and sanctions compliance	Non-compliance with Export control & Sanctions
Event triggered risks	Third party screening and sanctions compliance	Lack of third party screening (incl. problematic local alliance and partners)
Event triggered risks	National security regulations	Filing risks (on Group's investments)
Event triggered risks	National security regulations	Lack of compliance with national security agreements leading to propagation of commercial data
Event triggered risks	National security regulations	Lack of compliance with industrial defence base principles leading to propagation of IP
Event triggered risks	National security regulations	Unsanctioned IP propagation
Event triggered risks	Corporate governance	Corporate Officer's succession
Event triggered risks	Corporate governance	Board members' succession
Event triggered risks	Corporate governance	Corporate Officer's misconduct
Event triggered risks	Corporate governance	Board members' misconduct
Event triggered risks	Corporate governance	Inappropriate Corporate Officer's compensation
Event triggered risks	Corporate governance	Inappropriate Board members' compensation
Event triggered risks	Corporate governance	Activist investor's campaign

Nature of Risks	Risks Category	Risks Type
Event triggered risks	Corporate governance	Capital allocation and value sharing between all stakeholders
Event triggered risks	Corporate governance	Lack of oversight by the Board of Director on M&A deals
Event triggered risks	Corporate governance	Lack of oversight by the Board of Director on risks, compliance and internal control matters and sustainability (especially climate)
Event triggered risks	Corporate governance	Lack of oversight by the Board of Director on financial statement accuracy and communication
Event triggered risks	Corporate governance	Lack of oversight by the Board of Director on group strategy
Event triggered risks	Liquidity	Lack of liquidity
Event triggered risks	Accuracy of financial statement	Misstatement of accounts (voluntary or not)
Event triggered risks	Accuracy of financial statement	Lack of timely reporting
Event triggered risks	Cybersecurity	Damage to customers assets
Event triggered risks	Cybersecurity	Business disruption
Event triggered risks	Cybersecurity	Compliance
Event triggered risks	Cybersecurity	IP Theft & loss
Event triggered risks	Global security & resilience	Lack of resilience capabilities
Event triggered risks	Global security & resilience	Loss of critical site operations, people, product & services, supply chain, &/or technology
Event triggered risks	Global security & resilience	Theft, Sabotage or destruction of company physical assets or products
Event triggered risks	Global security & resilience	Lack of people security
Event triggered risks	Global security & resilience	Social & geopolitical events
Event triggered risks	Product, Project, System quality & Offer reliability	Lack of quality culture mindset
Event triggered risks	Product, Project, System quality & Offer reliability	Conflicting priorities & governance
Event triggered risks	Product, Project, System quality & Offer reliability	Regulatory certification breaches
Event triggered risks	Product, Project, System quality & Offer reliability	Process complexity & ineffectiveness
Event triggered risks	Product, Project, System quality & Offer reliability	Partners management failures
Event triggered risks	Product, Project, System quality & Offer reliability	Mission profiles and systems interaction mismatches
Event triggered risks	Product, Project, System quality & Offer reliability	Lack of adequate resources, competencies & trainings

Nature of Risks	Risks Category	Risks Type
Event triggered risks	Product, Project, System quality & Offer reliability	Poor manufacturing & design data quality
Event triggered risks	Brand management	Lack of (Social) media policy compliance
Event triggered risks	Brand management	Lack of Branding policy compliance
Event triggered risks	Brand management	Lack of Sponsorships and brand partnerships due diligence
Management practice risks	P&L management	Unexpected variance vs guidance
Management practice risks	P&L management	Capacity to adapt our ways to measure performance
Management practice risks	P&L management	Lack of pricing capabilities (or speed)
Management practice risks	P&L management	Lack of forecast quality (on volume, price, or sizing of supplies)
Management practice risks	Equity, diversity & Inclusion, Wellbeing and Mental health	Lack of representations of different diversities
Management practice risks	Equity, diversity & Inclusion, Wellbeing and Mental health	Discrimination or lack of equity at the workplace
Management practice risks	Equity, diversity & Inclusion, Wellbeing and Mental health	Burnouts
Management practice risks	Equity, diversity & Inclusion, Wellbeing and Mental health	Mental health issues
Management practice risks	Compensation & Benefits	Non-Compliance with mandatory benefit requirements
Management practice risks	Compensation & Benefits	Loss of talents and inability to attract new comers because of current set up of compensation and benefits
Management practice risks	Learning, Skill/Competency, development and SoR	Inadequate learning and training governance and resource support
Management practice risks	Learning, Skill/Competency, development and SoR	Lack of competency planning (aligned with Company Strategy)
Management practice risks	Learning, Skill/Competency, development and SoR	Lack of Ability to train and upskill employees, especially in technical and digital skills, for future business needs
Management practice risks	Talent management & succession planning	Losing Skills/Expertise/Business Knowledge due to Retirements

Nature of Risks	Risks Category	Risks Type
Management practice risks	Talent management & succession planning	Employee Skills Gap due to volatile market leading to lack of Future-Ready Talents with Diversity of Skills and Experiences
Management practice risks	Talent management & succession planning	Lack of Career Development leading to lack of Future-Ready Talents with Diversity of Skills and Experiences
Management practice risks	Talent management & succession planning	Lack of talent acquisition strategy(Investment/Funding), Structure/Model
Management practice risks	Talent management & succession planning	Lack of strategic workforce planning
Management practice risks	Tax & customs	Incorrect tax amount paid leading to tax reassessment, penalties or lawsuits
Management practice risks	Tax & customs	Noncompliance with custom rules leading to business blockage or disruption
Management practice risks	Credit	Customer Payment default
Management practice risks	Credit	Late customer payment
Management practice risks	IT systems	Technology obsolescence
Management practice risks	IT systems	Lack of availability of IT systems (Crown jewels, financial systems, connectivity)
Management practice risks	IT systems	Lack of reliability
Management practice risks	IT systems	Lack of system integration
Management practice risks	IT systems	Lack of business process vs technology alignment
Management practice risks	IT systems	Poor IT project execution
Management practice risks	IT systems	Lack of transparency from outsourced vendors
Management practice	IT asset management	IT asset compliance

Nature of Risks	Risks Category	Risks Type
risks		
Management practice risks	IT asset management	IT business practices
Management practice risks	IT asset management	IT 3rd party
Management practice risks	IT asset management	IT technical systems
Management practice risks	IP management	Loss of rights to sell, use & manufacture
Management practice risks	IP management	Loss of rights to stop others from selling, using & manufacturing
Management practice risks	IP management	Lack of compliance to Government regulations (patents, foreign filing license)
Management practice risks	IP management	Loss of goodwill & reputation
Management practice risks	IP management	Loss of value & revenue
Management practice risks	Data Assurance	Inappropriate Data Privacy
Management practice risks	Data Assurance	Inappropriate Data Retention
Management practice risks	Data Assurance	Inappropriate Data Residency
Management practice risks	Data Assurance	Lack of Data Encryption
Management practice risks	Data Assurance	Lack of Data Access management and monitoring
Management practice risks	Data Assurance	Lack of Data Resilience (back-up and restore)
Management practice risks	Data Assurance	Unethical or biased algorithm usage
Management practice	Data Scalability	Lack of authoritative source

Nature of Risks	Risks Category	Risks Type
risks		
Management practice risks	Data Scalability	Lack of common referential
Management practice risks	Data Scalability	Inability to share datasets at scale
Management practice risks	M&A and integration	Inadequate M&A and integration processes
Management practice risks	M&A and integration	Lack of governance of newly acquired companies
Management practice risks	Projects acceptance & outcomes	Lack of adequate Bidding & acceptance expertise (or transparency)
Management practice risks	Projects acceptance & outcomes	ESG controversies
Management practice risks	Projects acceptance & outcomes	Inadequate performance mgmt.
Trend driven risks	External business practices expectations & evolutions	Evolving business expectations on sustainability (e.g. circularity)
Trend driven risks	External business practices expectations & evolutions	Evolving business models landscape (e.g. SaaS, subscription models, Web3, servitization)
Trend driven risks	External business practices expectations & evolutions	Evolving new energy landscape (e.g. prosumer, hydrogen)
Trend driven risks	External business practices expectations & evolutions	Evolving competitive landscape (e.g. entrants like Tech giants, national competitors)
Trend driven risks	Environment disruptions	Failure to adapt products to evolving market (e.g. regulations)
Trend driven risks	Environment disruptions	Failure to anticipate impact from chronic climate physical risks on SC, operations & product
Trend driven risks	Environment disruptions	Failure to adapt group sites to environment regulations
Trend driven risks	Environment disruptions	Scarcity of natural resources used in SE's products or in manufacturing and by our Ecosystem (scope3), e.g. copper & nickel
Trend driven risks	Global political, economical & Societal disruptions	Fragmented world & protectionism

Nature of Risks	Risks Category	Risks Type
		(e.g. US-China, Taiwan, Senkaku, Korea, Iran, Israel)
Trend driven risks	Global political, economical & Societal disruptions	State take-over and impact on SE's HQ and top management (e.g. Hong Kong autonomy)
Trend driven risks	Global political, economical & Societal disruptions	Resources & energy shortages (e.g. political decisions in Europe following Ukraine conflict)
Trend driven risks	Global political, economical & Societal disruptions	Economic cycles (e.g. interest rate increasing, inflation, recession)
Trend driven risks	Global political, economical & Societal disruptions	Large-scale migration
Trend driven risks	Global political, economical & Societal disruptions	Erosion of social cohesion and societal polarization
Trend driven risks	Technology evolutions (Digitization, automatization, electrification)	Lack of adaptation to new processes (e.g. Electro-heating, Electro motion, 3D printing)
Trend driven risks	Technology evolutions (Digitization, automatization, electrification)	Lack of adaptation to "AI everywhere" environment
Trend driven risks	Technology evolutions (Digitization, automatization, electrification)	Lack of adaptation of SE's offers to new connected secure protocols and edge & cloud computing (e.g. 5G, Cybersecurity)
Trend driven risks	Technology evolutions (Digitization, automatization, electrification)	Lack of investment in future technologies (e.g. quantum computing, power electronics, Nano techno, 3D/4D printing)
Trend driven risks	Group business practices adaptation	Lack of adaptation to an augmented workforce ecosystem (incl. ChatGPT and RPA advancements)
Trend driven risks	Group business practices adaptation	Lack of focus on digital customer experience
Trend driven risks	Group business practices adaptation	Lack of value proposition
Trend driven risks	Group business practices adaptation	Lack of speed on Capex to Opex transition
Trend driven risks	Group business practices adaptation	Inadequate monetization models
Trend driven risks	Group business practices adaptation	Lack of channel readiness
Trend driven risks	Group business practices adaptation	Cost efficiency over stakeholders' experience (incl. customers and employees)
Trend driven risks	Group business practices adaptation	Supply chain dematerialization (e.g. SW components delivery platforms)
Trend driven risks	Group business practices adaptation	Lack of skills on consultative selling

Nature of Risks	Risks Category	Risks Type
Trend driven risks	Group business practices adaptation	Inadequate Project model (e.g. long term ROI vs Transactional)
Trend driven risks	Group business practices adaptation	Inadequate Service offerings (e.g. consulting organization vs transactional)
Trend driven risks	Group offer evolution & innovation	Lack of strategy for innovation at the core (measured with Vitality Index)
Trend driven risks	Group offer evolution & innovation	Lack of efficiency in Innovation process
Trend driven risks	Group offer evolution & innovation	Lack at the Innovation at the edge & technology partnerships
Trend driven risks	Group offer evolution & innovation	Lack of clarity due to Software offer fragmentation (e.g. too many Advisors)
Trend driven risks	Group offer evolution & innovation	Lack of focus on sustainability in R&D
Trend driven risks	Group offer evolution & innovation	Product proliferation
Trend driven risks	Supply Chain flexibility and resilience	Lack of resilience from suppliers (incl. increasing commodity risks on copper, nickel, power electronics)
Trend driven risks	Supply Chain flexibility and resilience	Lack of resilience in manufacturing
Trend driven risks	Supply Chain flexibility and resilience	Lack of resilience in logistics
Trend driven risks	Supply Chain flexibility and resilience	Lack of supply chain flexibility
Trend driven risks	Organization setup	Ambiguity of roles & responsibilities (incl. with non-integrated entities)
Trend driven risks	Organization setup	Lack of collaboration between Group's departments
Trend driven risks	Organization setup	Lack of (or wrong) Group positioning on key issues (e.g. Russia divestment, drive sustainability)
Trend driven risks	Performance mgmt.	Lack of relevancy of performance metrics
Trend driven risks	Performance mgmt.	Lack of existence of metrics / capability to implement relevant metrics
Trend driven risks	Performance mgmt.	Lack of reliability of metrics
Trend driven risks	Performance mgmt.	Lack of consistency of incentive plans with performance levers of portfolio