***PRICOL** LIMITED*

RISK MANAGEMENT POLICY
(As adopted by Board on 31st October 2016, 29th June 2020 & amended on 10th August 2021)
(Pursuant to Section 134 (3)(n) of the Companies Act 2013[1] & Regulation 21 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015[2])

Company is committed to the philosophy of effective business risk management as a core Managerial capability. [In order to achieve the key objective, this policy establishes a structures and disciplined approach to Risk Management, with a view to guide decisions on risk related issues.][2]

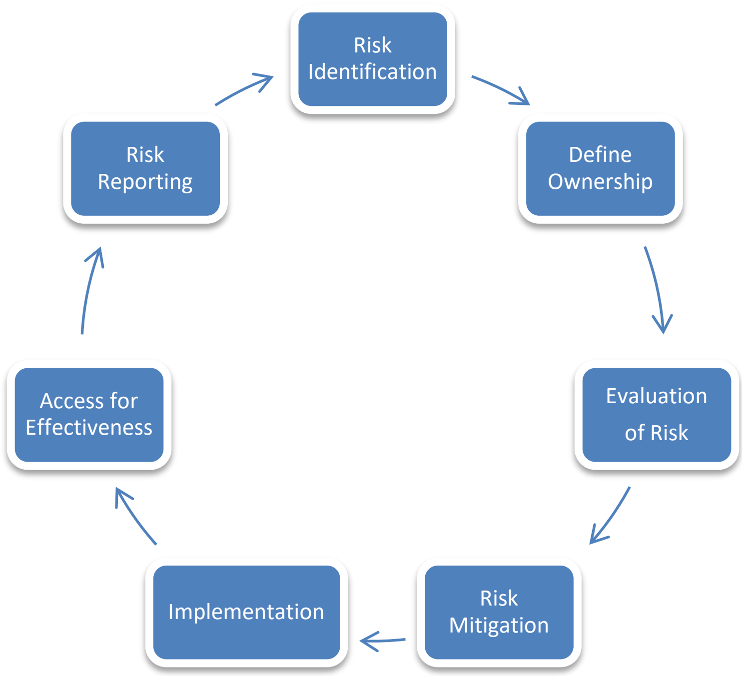
OBJECTIVE:

The objective of the Risk Management Policy is to identify the Key Risks, establish a comprehensive risk Management Policy by defining the roles and responsibilities to the respective Risk champions all across the organization that effectively mitigates the risks.

The intent of the policy is not to completely eliminate risks, but to manage the risks involved in the Company's activities to maximize opportunities and minimize adversities by considering the following: -

- Identification of Risk, Define Ownership, Roles and Responsibilities;
- Contributing to more Efficient use/ Allocation of all the resources;
- Adopt pro-active approach towards Risk Management
- Identifying any unmitigated risks, assessing the impact and deriving methodology to formulate action plans for its treatment through a periodic review

RISK MANAGEMENT PROCESS:



[1] Added in the meeting dated 29th June 2020
[2] Added in the meeting dated 10th August 2021

- **Risk Identification –** As a first step, the “Potential Risks” will be identified followed by categorization of risks on the basis of the “Nature of Risk “
- **Define Ownership:** After identification of risk, respective risk champion is identified based on who is best positioned to perform mitigating actions on the risk and monitor the risk.

Evaluating Risk: This refers to evaluating and assigning the risk with an impact, probability of occurrence and severity score. Likelihood or Probability of occurrence is measured on an ordinal scale, minimal to highly likely, while impact are measured in terms of potential losses or gains. The Risks have been analyzed in detail in view of our nature of businesses and the various challenges which may have a bearing on accomplishing the Organization wide Objectives currently and in the future.

- **Plan Mitigations:**
  - **Transferring Risk** – This is to transfer the Impact of the risk to the third parties such as Insurers, underwriters of derivative products.
  - **Tolerating Risk** is where no action is taken to mitigate or reduce a risk. This may be because the cost of instituting risk reduction or mitigation activity is not cost-effective or the risks of impact are at so low that they are deemed acceptable to the business. Even when these risks are tolerated they are monitored because future changes may make it no longer tolerable.
  - **Treating Risk** is a method of controlling risk through actions that reduce the likelihood of the risk occurring or minimize its impact prior to its occurrence. Also, there are contingent measures that can be developed to reduce the impact of an event once it has occurred.
  - **Terminating Risk**. It is the approach that should be most favored where possible and simply involves risk elimination. This can be done by altering an inherently risky process or practice to remove the risk. If an item presents a risk and can be removed without it materially affecting the business, then removing the risk should be the best option considered; rather than attempting the treat, tolerate or transfer it.
- **Implement Actions:** A clear action plan is drawn out and the risk owner to ensure they are carried out in accordance with the plan.
- **Access for Effectiveness:** By periodical monitoring and Control**,** all the risks and actions which have been created will be reviewed regularly, so the risk impact and probability can be updated following any actions which have been performed to treat them.
- **Risk Reporting:** All risks based on the severity will be reported to the concerned authority for taking necessary decisions and corrective actions.

Our Comprehensive and Inclusive Risk Management Policy across the Organization ensures effective deployment of Risk Mitigation Policies by engaging employees at different level in the risk management process.

[RISK MANAGEMENT COMMITTEE

A) Composition

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 majority of the committee members comprises of Board of Directors. The senior Management of the company may be induced in the committee depends upon the need and not eligible for Sitting Fees.

The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee

B) Meetings & Quorum

The risk management committee shall meet at least twice in a year.

The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

C) Powers

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary

The Board shall define the roles & responsibilities of the Risk Management Committee and may delegate the task of developing risk identification methods, risk mitigation strategy, monitoring & reviewing of the risk management plans and other functions as it may deem fit. The composition of the committee may be decided by the Board.][2]

<u>KEY ROLES AND RESPONSIBILITES</u>:

Level	**Roles & Responsibilities**
Board of Directors	1) Ensure Corporate Governance oversight of Risk Management 2) Review of Performance of Risk Management Committee
[Risk Management Committee	(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 listed entity, 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 Committee. (b) Measures for risk mitigation including systems and processes for internal control of identified risks. (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;

[2] Added in the meeting dated 10th August 2021

	(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, 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) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee. 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][2]
Executive Director(s)[3]	**Specific Responsibilities –** Reviews the Internal and External potential risk of Company's Operational, Financial and Risk Management policies, especially enterprise level risks. The Executive Director (s) may discuss with External Auditors and get their inputs on the risk factors of the company. **Roles –** 1) To review Organisation risk on a periodical basis, identifying respective Risk Champions, initiating mitigation action, reviewing progress 2) Deploying practice for risk identification, assessment, monitoring, mitigation and reporting of risk 3) Providing update to Board of Directors periodically on actions taken 4) Ensure deploying mechanisms are in place to monitor compliance with policies
Plant Heads and Process Owners (Risk Champions)	1) Managing the Operations as per Company's Risk Management Policy 2) Identifying and Managing risks at the Plant and Process level that may arise from time to time, in consultation with the Risk Management Committee / Executive Director (s)

[2] Added in the meeting dated 10th August 2021

[3] Deleted "a) Risk Management Committee, if any constituted by the Board of Directors of the Company" in the meeting dated 10th August 2021

RISK SEVERITY & PERIODICITY OF THE REVIEW

Risk Severity	Access and Control	Periodicity of the Review
Severe Impact	Serious danger. Immediate action required to identify and implement controls to reduce the risk severity.	Immediate.
Moderate Impact	Moderate danger. Action as soon as possible to implement controls (both long term and short term) to reduce the risk to a level of reasonably practical.	Monthly.
No / Low Impact	Minor to negligible danger. Access any further action can be taken to maintain as "low" if this risk cannot be eliminated completely	Quarterly

RISK CATEGORY, RISK DESCRIPTION & RISK MITIGATION

Some of the key Risks & Mitigation Frameworks which are currently under the purview of Risk Management Committee / Executive Director (s) [1] are:

Risk Category	Risk Description	Mitigation
Industry Risk (Operational)[2]	Concentration on Automotive Business *Specific Risks are:* - Industry Downturn in Automotive Industry will adversely affect business - High Focus on specific Segment / Customer *Specific Risks are:* Business will be adversely affected when a particular segment or a customer experiences sluggish growth.	▪ Tapping of wider segments in products and geographies including its aftermarket foot print in the core business (Treat) ▪ Explore & grow businesses in the Non-Automotive domain, while remaining focused on core auto business (Treat) ▪ Widened presence in multiple segments has helped the company to minimize its risk exposure by spreading risk across segments. (Treat)
Quality & Integrity of the Product (Sectorial)[2]	Poor quality or integrity of our products may result in reputation and brand damage, resulting in lower volumes and financial claims. *Specific risks are:* – Poor quality of the products. – Increase in Cost of Quality leads to bottom-line erosion. – Loss of customers & Lost opportunities in new programs.	▪ Effective process control and No fault forward assembly lines. (Terminate) ▪ Implementation of automated End of Line (EOL) testing. (Treat) ▪ Supplier cluster programs to improve quality of incoming parts. (Treat) ▪ Warranty procedure & performance sign off with customers. (Treat)
Currency Risk (Financial)[2]	Currency exchange gain or loss will impact the bottom line. *Specific risks are:*	▪ Hedging imports through forward contracts. (Transfer)

[1] Added in the meeting dated 29th June 2020
[2] Added in the meeting dated 10th August 2021

	– Increase material cost in case of weakening rupee – Lower revenue realisation in case of strengthening rupee against USD. – FOREX Loans – SWAP Transactions	▪ Packing Credit in Foreign Currency (PCFC) to protect exports against currency fluctuation. (Transfer) ▪ Restructuring of credit options for both imports & exports. (Transfer) ▪ Compare total loan interest including hedging cost with rupee loan interest rate. Hedging to be decided on a Half Yearly basis. ▪ This is allowed for interest benefit provided matching FOREX flows for interest and principal repayments.
Demand Risk (Operational)[2]	Inaccuracy in demand forecasting leads to poor delivery performance thereby leading to loss of customers. *Specific Risks are* – Excess Inventory – Lower vendor ratings – Premium freight – Customer Attrition	▪ Implementation of Electronic Data Interchange (EDI) with all strategic customers. (Treat) ▪ Effective Implementation of demand management in SAP. (Treat) ▪ Measurement of forecast accuracy to smoothen out demand variation. (Treat) ▪ Vendor Managed Inventory.(Tolerate)

Risk Category	Risk Description	Mitigation
Information Security (Information)[2]	Loss of business data, proprietary & confidential information and disruption of processes due to unavailability of robust IT systems, thereby causing financial damage. *Specific risks are:* – Failure of IT systems thereby business continuity – Susceptibility to Cyber crime	▪ Implementation of measures to secure confidentiality and integrity of data. (Treat) ▪ Ensuring data redundancy by storage in data replication center. (Terminate) ▪ Far site data recovery center (Transfer), ▪ Robust firewall mechanisms, thereby preventing cybercrimes.(Transfer)
Technology Risk (Cyber Security)[2]	Technological Obsolescence due to longer development time and misalignment with the changes in technological trends in the Industry. *Specific risks are:* – Loss of Business opportunity, and market share.	▪ Formulation of technology road map in line with the Industry trends. (Treat) ▪ Collaborate with leading technology partners to shorten the development cycle stay in sync with the market. (Transfer)

[2] Added in the meeting dated 10th August 2021

	– Unabsorbed fixed cost; adverse impact on the bottom-line. – Risks arising through technology partnership – by disclosure of technology to competition & being a competitor themselves. – Inability to provide effective technical solutions. *Specific risks are:* – Threat of competition from technology partner & competitors. – Ineffective utilisation of Intellectual Infrastructure bandwidth.	▪ Assessment of the capability of technical partner through a formal diligence process. (Treat) ▪ Formal engagement model with exclusivity and non-compete provisions in the agreement. (Treat)

Risk Category	**Risk Description**	**Mitigation**
People (Operational)[2]	Failure to attract and retain people with the right skills and talent to seize opportunities, achieve challenging returns and fulfill the strategy. *Specific Risks are:* – Higher attrition rate – Shortage of motivated workforce – Delay in project execution & Growth plans	▪ Alignment of company performance and employee performance incentives through the effective compensation & benefit structure. (Treat) ▪ Develop a talent pipeline through an annual talent review process and talent development (Treat) ▪ Values, Culture reinforced through induction, mandatory training, performance management, and employee interaction programs. (Treat)
Regulation & Compliance	- Risks due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigation and loss of reputation	▪ Continually identify impact of changes due to new regulation (Treat) ▪ Assess process in place to manage current regulatory risk and system to monitor(Treat) ▪ Assess oversight over the regulatory risk framework (Treat) ▪ Identify gaps, inefficiencies and duplications and plug in the loopholes (Treat)

[2] Added in the meeting dated 10th August 2021

[OVERVIEW OF IMPLEMENTATION OF RISK MANAGEMENT POLICY:

The Finance & Internal Audit Team is assigned with the task to make sure that the system of Internal Financial Controls and Risk Management Systems were reasonable and adequate, and the Risk Management policy of the company is uniformly implemented throughout the company.][2]

REVIEW & CONCLUSION:

This policy and the underlying strategies or procedures will be reviewed periodically by the Risk Management Committee / Executive Director(s)[1] to ensure their continued application, relevance and effectiveness.

AMENDMENT TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of the Committee / Executive Director (s)[1] can amend this policy, as and when deemed fit.

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.,

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[2] Added in the meeting dated 10th August 2021
[1] Added in the meeting dated 29th June 2020