

MUNJAL SHOWA LIMITED

RISK MANAGEMENT POLICY

Adopted w.e.f. April 01, 2014
First Revision w.e.f. June 23, 2021
Second Revision w.e.f. August 03, 2026



PURPOSE

Progressive organizations need to take new initiatives, which often come along with certain risks. Additionally, the increasingly dynamic external environment presents risks to the existing business. To navigate through the likely business risks, Munjal Showa Limited (“MSL or the Company”) has formulated a Risk Management Policy (the “Policy”) in align with structured risk management process.

OBJECTIVES OF THE RISK MANAGEMENT POLICY

1. To establish a policy framework for enterprise Risk management process and thereby enable risk management activities in the Company to more scientific, measureable and capable or incremental improvement.
2. 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 Committee from time to time.
3. To mitigate and manage current and future risk exposure of the company with reference to safety/material/finances/ people welfare and such other elements which contribute to re-enforcing excellence in the Company.
4. To facilitate compliances with relevant regulations in the area of risk management.
5. Business Continuity Plan.
6. Any other matter related to the above and the growth of the Company in the domain of risk management.

STRUCTURE

1. The Risk management policy will be channelized through a Risk Management Committee (“the Committee”) which shall be responsible for strategizing the policy and provide periodic feedback to the Board towards the implementation of the Risk Management Policy.
2. For full-filing its responsibilities besides the ones noted above, the Committee will keep insight the requirements of sound corporate governance over sight and review periodic reports from identified full time executives in relevant areas identified from time to time.
3. The Committee shall be constituted by the Board and there will be three members, majority being Board of Directors which shall include at least one Independent Director.
4. The Chairperson of the Committee shall be a member of the Board of Directors.
5. The functions delegated by the Board of Directors to the Committee shall specifically cover cyber security, in addition to the other risk areas identified under this Policy.
6. Notwithstanding the composition of the committee noted above, the Committee can be expanded as per the requirement.
7. The Committee will have the oversight of the Risk management delivery framework of the Company.



THE RISK MANAGEMENT POLICY AIMS TO COVER, AMONGST OTHERS, THE FOLLOWING KEY AREAS / INTERNAL AND EXTERNAL RISKS:

Technology risks – Munjal Showa Limited is committed to embracing new technologies to deliver superior products and solutions to its customers and stakeholders. Adoption of new technology or being left behind in the era of evolving technologies is the primary risk that it monitors. IT and digitalization are the key enablers for delivering end-to-end mobility solutions. However, even these are prone to risks associated with disaster preparedness, data security, information privacy, legal compliance, etc. The technology risks should be mitigated by continuous R&D initiatives of the Company, keeping abreast with the global changes, promoting entrepreneurial skills of the personnel and developing either in-house solutions or procuring them.

Financial risks – 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 investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.

Economic environment risks – The ever changing economic policies may impact the strategies and performance of the Company. The Company should keep a close watch on the upcoming new policies and changes in the existing policies and adapt itself timely to the effected norms. MSL believes in fair competition and tries to maintain a balance in demand and supply of its products.

Operational risks – Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

Commodity Risks - Raw material prices, commodity price fluctuation and crude prices are also key business and operational risks. The Company has an exposure of commodity price risk and foreign exchange risk denominated in USD for exports and USD, EUR and JPY in respect of its imports. The Company uses various instruments as approved under the central bank regulations to hedge these exposures. 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 on-going basis on cost reduction, weight reduction and process improvement exercises. The Company also considers localization of imports/ global sourcing to ensure lowest cost option in sourcing of parts/raw material.

Regulatory risks – Non-compliance of the applicable laws may result in liabilities and may impact the reputation of the Company. The frequent changes in emission norms require the Company to be prepared and update the products with the applicable standards. The Company has proper systems in place to ensure that there is no non-compliance of any law that is applicable to MSL. Further, the Company should constantly monitor and comply with the frequent changes in the emission norms and environmental regulations.

Human Resource risks – Munjal Showa Limited is sensitive towards the requirements of its employees. The Company should take initiatives to ensure there is a robust plan for succession and retention of key people. MSL should ensure that its people are regularly trained and updated to be able to contribute in the growth of the organisation.



TO ENSURE THAT THE ABOVE RISKS ARE MITIGATED, MSL WILL STRIVE TO:

1. Involve all functions in the overall risk identification and mitigation exercise;
2. Link the risk management process to the strategic planning and internal audit process;
3. The Committee shall have access to all information necessary to fulfill its responsibilities. It has the 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;
4. The Committee may in its judgment periodically commission risk management analysis of the Company;
5. The Board will review the risk Management status of the Company, based on the recommendations of the Committee at least once in a year;
6. Adequate disclosures pertaining to the risks (including commodity risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

MEETINGS AND QUORUM

The Risk Management Committee should meet at least two times in a year and not more than 210 days shall elapse between two consecutive meetings. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

COMMITTEE ROLES AND RESPONSIBILITIES

1. The Risk Management Committee to periodically assess risks to the effective execution of business strategy and review key leading indicators in this regard;
2. Oversee implementation of policy & evaluate adequacy of risk management systems;
3. Review/recommend to the Board about framing, implementing and monitoring of the risk management plan of the Company;
4. The Committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner;
5. The Committee may form and delegate authority to sub-committees when appropriate. It can coordinate activities with other committees, in case of any overlap—majorly with the Audit Committee;
6. The Committee shall review and reassess the adequacy of this Charter once in every two years and recommend any proposed changes to the Board for approval;
7. The Committee shall keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken, and shall make regular reports to the Board, including with respect to risk management and minimization procedures;
8. Review of appointment, removal and terms of remuneration of the Chief Risk Officer (if any);
9. The Committee will be responsible for such other items as may be prescribed by the applicable laws or the Board in compliance with applicable laws;

Any other matter related to the above which committee may feel relevant.



REVIEW AND AMENDEMENT

The RMC Policy should be reviewed periodically, at least once in two consecutive years by the Board of Directors of the Company on the recommendation of the Committee. The provisions of this policy may be amended or modified by the Board on the recommendation of the Committee from time to time as and when required.

In case of any amendment(s), clarification(s), circular etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular 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 etc.

