RISK MANAGEMENT POLICY

Section 134(3) of the Companies Act, 2013 requires a statement to be included in the report of the Board of Directors ("Board") of Shriram Pistons & Rings Limited ("SPRL/ Company") indicating development and implementation of a Risk Management Policy for the Company, including identification therein of elements of risk, if any, which, in the opinion of the Board, may threaten the existence of the Company.

In addition to the above, Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015 ("Listing Regulations"), as amended from time to time, requires that the Company shall lay down procedures to inform the Board about risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

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, Shriram Pistons & Rings Ltd. (SPRL, or the Company) has formulated a structured risk management process. The key objectives of this Risk Management Policy are:

- Identification of potential internal and external risks
- Assessment and measurement of the identified risk
- Mitigation plans for the risks
- Report identified risks, their assessment, mitigation plan, risk appetite to the Risk Management Committee (RMC) and other relevant stakeholders

The Risk Management Policy aims to cover, amongst others, the following key areas/ risks which will form part of the Risk:

Strategic risks – For organizations, the key business decisions can have a significant impact on their long-term growth potential. Venturing into new areas may be required to meet strategic objectives and sustainability goals. To have a competitive edge, businesses acquire new resources or invest in strategic partnerships to shape innovative product segments or technologies. However, such decisions will come with a fair amount of risks, inherent, or otherwise. Additionally, the ever-changing economic policies may influence the strategies and performance of the Company. The mismatch in demand and supply and competitive products may influence the market share of the Company. The Company should keep a close watch on the upcoming policies and changes in the existing policies and adapt itself accordingly.

Operational risks – Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may affect the operations of the Company. Given the scale of operations, even the slightest disturbance can have a significant impact on work force or revenue. The growth in global business further complicates and adds to the severity of the business and regulatory risks. With a goal of creating value, the Company recognizes that there are multiple focus areas to ensure smooth operations. The Company should therefore develop risk mitigation strategies for managing risks in each of the Business Operation areas.

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 made by the Company. The financial performance of its subsidiaries, associates and any other affiliates that may adversely affect the Company's results should be closely monitored. The investments of the Company should be made based on financial modelling and the currency fluctuations be examined regularly. In addition, the Company has an exposure of commodity price risk and foreign exchange risk in respect of its exports & imports. The Company uses various instruments as approved under the banking regulations to hedge these exposures. The Company works on an ongoing basis on cost 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 to the applicable laws may result in liabilities and may affect the reputation of the Company. The frequent changes in regulatory norms require the Company to be prepared and update the products with the applicable standards. The Company has proper systems in place prevent non-compliance of applicable laws. Further, the Company should constantly monitor and comply with the frequent changes in the domestic and global norms.

Technology risks – The Company is committed to embracing new technologies to deliver superior products and solutions to its customers. 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, keeping abreast with the global changes and developing in-house solutions or procuring them. Business models may evolve, based on changes in technology, otherwise, which will also need to be considered in the risk matrix.

Sustainability risks – Economic, Social and Governance (ESG) risks are leading to significant disorders across many organizations. Emerging global scenarios and pandemic bring along serious uncertainties for businesses both in domestic as well as global markets. Climate change has made the mobility sector focus even more on the non-traditional energy sources. With a focus on long-term value creation, SPRL identifies and closely monitors the risks under the ESG. The organization should ensure timely escalation of critical risks and development of a suitable mitigation plan to manage those.

Cyber Security and Information Technology risks – With an ever-increasing dependency on the IT networks, the Company has a significant focus on the Cyber Security threats. The Company identifies cyber security risks based on evolving threat situations and the mitigation actions should be monitored periodically.

Business Continuity Planning (BCP) – SPRL recognizes the importance of BCP for the smooth running of business particularly during difficult times. The Company focuses on business continuity, both from a business operations sustainability viewpoint as well as employee welfare measures perspective. A cross functional BCP team would develop a BC Plan, which will focus especially on key action steps, roles and responsibilities, trigger mechanisms, turnaround times etc. to be always prepared to tackle any situation that can potentially affect the business operations.

Risk Mitigation:

To ensure that the above risks are mitigated, SPRL will strive to:

- Involve all functions in the overall risk identification and mitigation exercise;
- Have an objective framework to categorize risks and define the level at which it should be addressed;
- Link the risk management process to the strategic planning and internal audit process;
- Promote a culture of calculated risk taking to identify new initiatives coupled with thoughtful risk mitigation approach;
- Formalize a transparent risk information system across the organization with structured templates.

Adequate disclosures pertaining to the 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.

The Risk will include guidance on impact and probability of the risk impact which in effect is the identification of risk appetite for the Company.

Risks identified will have a Risk description, risk functional owner and initiatives with timelines and responsibilities for risk mitigation.

Risk Management Committee and the governance framework: The Risk Management Committee itself will be a committee of the Board of Directors. The Chief Risk Officer will report into the RMC. Risks will be identified from various fronts viz. external environment, benchmarking, business risks, functional operations etc. with focus on solution orientation. Risks may be included, expanded or edited based on developments while a structural exercise for risks will conducted annually to keep them current.

While the ownership for identification of risk and for putting in place risk management measures would be shared by the Business function. The RMC shall have oversight on the management team who shall implement the same through the Risk team and functional risk management officers.

This Policy shall be reviewed by the Risk Management Committee and approved by the Board of Directors as and when required or at least once in two years and updated accordingly.

** The Risk Management Policy was initially approved by the Board on February 2, 2019, and has since been amended on July 9, 2019, November 1, 2019, April 5, 2022, and December 20, 2024*