RISK MANAGEMENT POLICY

OF

RICO AUTO INDUSTRIES LIMITED

1. Legal Framework/Background

As per the provisions of Section 134(3)(n) of the Companies Act, 2013, Regulation 17(9) and 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") the Board of Directors shall frame, implement and monitor a Risk Management Plan and lay down the Risk Management and Minimization Procedures.

Accordingly, the Board of Directors of the Company had constituted a Risk Management Committee w.e.f. 31st May 2021 to formulate and recommend a Risk Management Policy for the Board's approval.

In line with the above requirements, the Board of Directors had framed and adopted the following "Risk Management Policy" in the Board Meeting held on 13th August, 2021 and amended from time to time as per the requirement of the Company to ascertain and mitigate the risk exposure as well as to be compliant with the requirements of the Companies Act, 2013 and SEBI Regulations.

2. Scope and Purpose of Policy

The Company believes that Risk is an inherent aspect of every business and an effective risk management process is the key towards protecting stakeholders value and improving governance processes.

The process in Rico starts with identification of various circumstances, both internal and external which pose a threat to disrupt the operations, and then it continues towards the procedure to mitigate/minimize them through sound and proven methods.

The main objective of this Policy is to ensure a sustainable business growth with stability and to promote a pro-active approach in anticipating and evaluating and resolving risks associated with the Company's business and to maximize the positive effects of their operations, behaviors, and products on the stakeholders.

3. Risk Factors/Key Areas

The Risk Management Policy aims to cover, amongst others, the following Key Areas/Risks Factors:

(a) Strategic Risk

The ever-changing economic policies, in the relevant markets may impact 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 believes in fair competition and tries to maintain a balance in demand and supply of its products.

(b) Operating Risks

Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company. There may be a demand risk and a supply chain disruption risk due to unusual or *force majeure* events.

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. The Company uses various instruments as approved under the central bank regulations to hedge these exposures.

Multiple options are available to mitigate these risks. Selection of a suitable risk mitigation and management strategy will depend on factors like nature and extent of the risk, factors that may influence the risk, cost-benefit analysis of options. The Company works on an ongoing 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.

(c) Financial & Accounts Risks

The financial risks relate to adequate liquidity for routine operations and availability of funds for greenfield and brownfield expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of 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 on the basis of financial modelling and the currency fluctuations be examined regularly. The usage of funds should be well planned, both on a short term & long-term basis.

(d) Sustainability Risks and in particular ESG related risks

The Company needs to keep a close watch on the upcoming new policies and changes in the existing policies and adapt itself to the effected norms in a timely manner.

The frequent changes in emission norms require the Company to be prepared and update its products and the production with the applicable standards. Further, the Company needs to constantly monitor and comply with the changes in the emission norms and environmental regulations.

(e) **Regulatory and Compliance Risk**

The Company needs to keep a close watch on the Regulatory Compliances, upcoming new policies and changes in the existing policies and adapt itself to the effected norms in a timely manner.

Non-compliance of the applicable laws may result in liabilities and impact the reputation of the Company. The Company needs to have proper systems in place to monitor significant changes in applicable laws and to ensure that all applicable laws are complied with by the Company.

(f) **Geo Political Risk**

The Company's business also depends on exports. Both Indian Government Policies and Overseas market policies and changesneed to be critically reviewed on a regular basis.

(g) **Information Technology/ Security Risks and Cyber threats**

The Company is committed to embracing new technologies to deliver superior products and solutions to its customers and stakeholders. Adoption of new technology to avoid being left behind in the era of evolving technologies is the primary risk that requires close monitoring. 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, cyber crime, legal compliance, etc. The technology risks should be mitigated by continuous R&D initiatives of the Company, keeping abreast with the global changes, adopting new & latest IT and data related technologies and promoting entrepreneurial skills of the personnel and developing either in-house solutions or procuring them. It is also necessary to create interest and

awareness among employees for benefits and responsibilities for adoption of the above technologies.

(h) Human Resource Risks

The Company 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. Talent in key areas and new businesses should be made available through both external partners and internal employee referral schemes.

The Company should respect and promote well being of all employees, including those in their value chain. It should ensure that its people are regularly trained and upskilled to be able to contribute to the growth of the organization.

The Company should have grievance mechanism for HR issues that is established internally to address complaints about human rights violations, sexual harassment, ethics, employment discrimination etc.

(i) Business Continuity Plan

Business Continuity Plan aim to provide a reference tool for the actions that are required during or immediately following an emergency or incident that threatens to disrupt normal business activities.

It will help to ensure the continuation of business-critical services by minimising the impact of any damage to staff, premises, equipment or records and include an adequate level of detail used to maintain the business and:

- To ensure a prepared approach;
- To facilitate an organised and co-ordinated response; and
- To provide an agreed framework within which people can work in a concerted manner to solve problems caused by an emergency/incident.

The purpose of the business continuity plan is to prepare the Company in the event of extended service outages caused by factors beyond our control (e.g., natural disasters, man-made events), and to restore services to the widest extent possible in a minimum time frame. The plan will also help to identify actions that could be taken in advance of an emergency or incident to reduce the risk of it happening.

To ensure that the above risks are mitigated, the Company 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 itshould be addressed.

- Link the risk management process to the strategic planning and internal auditprocess.
- Promote a culture of calculated risk-taking to identify new initiatives coupled withthoughtful risk mitigation approach.
- Formalize a transparent risk information and escalation system across the organization with structured templates.
- Take advice of market experts on the subject for the benefit of the Company.
- Increase the quality and speed of communication amongst the Company's key risk managers, the management, and the Board to ensure a proper oversight of strategic risk management processes timely decision-making.

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.

4. Implementation of the Policy

The type of risks faced by the Company and the means to avoid/mitigate them has been elaborated in detail in the Risk Register of the Company which forms part of this policy.

The Risk Register has been designed keeping in view the following parameters and processes -

(a) Risk Identification, which includes education on the identification of risk, probability evaluation as to likelihood and finally consequence evaluation as to the impact / financial losses to determine the size of risk.

(b) Risk Evaluation and Impact Assessment, which includes (i) Extreme, Moderate and Minor on the basis of impact on financial, rating, market share, prosecution & fines, injuries to employees / third parties etc.; (ii) likelihood of occurrence, i.e., Frequent, Likely and Unlikely; and

(c) Action to mitigate or eliminate the risk with a monitoring mechanism in place.

5. Responsibility for Risk Management

Every staff member of the Company is responsible for the effective management of risk including the identification of potential risks. The Chief Risk Officer along with the Plant Heads and the Risk Management Committee are responsible for the development and regular monitoring and updating of the Company's risk

profile with risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

6. Compliance and Control

The Chief Risk Officer and all Plant Heads are also responsible for informing the Risk Management Committee and the Board of Directors about any developments that alterthe risk profile and requires mitigation. The Chief Risk Officer and the Plant Heads, under the guidance of the Risk management Committee, Chairman and the Board of Directors, also have the responsibility to monitor effective and timely action to implement management's processes/decisions, identifying, assessing and monitoringrisks associated with the Company's business operations. They are also responsible for the implementation and maintenance of policies and control procedures to give adequate protection against key risks. In doing so, the Risk Management Committee and Plant Heads will consider and assess the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regard and action taken, or proposed, based on those reports.

The onus for Identification of risk and for putting in place risk management measures would be shared by the Chief Risk Officer and the respective Plant Heads. The ChiefRisk Officer and the Plant Heads shall report to the Risk Management Committee. The responsibility for compliance with the risk policy shall lie with the Risk Management Committee, Functional Chief Risk Officer and all the staff.

7. Disclosure of the Policy

This policy will be uploaded on the website of the Company.