



MINDA INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

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1. Vision

To develop organizational wide capabilities in Risk Management so as to ensure a consistent, efficient and effective assessment and management of risk in the achievement of the organization's objectives

2. Preamble

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the corporate environment.

Risk is inherent in all administrative and business activities. Every member of the Organisation continuously manages risk. Formal and systematic approaches to managing risk have evolved and they are now regarded as good management practice. As a consequence we acknowledge that the adoption of a strategic and formal approach to risk management will improve decision-making, enhance outcomes and accountability.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in all activities of the Company to maximize opportunities and minimise adversity. Minda Industries Limited ("MIL" or "the Company" believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

Further, Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management,
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that mission critical threats are realised.

Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

3. Objective & Purpose of Policy

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

- (i) To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e to ensure adequate systems for risk management.
- (ii) To establish a framework for the company's risk management process and to ensure its implementation.
- (iii) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- (iv) To assure business growth with financial stability.

4. Scope

This Policy Standard sets out the detailed requirements and minimum levels of achievement necessary to implement the risk management elements of the business. The policy facilitates management about risks associated with our activities and minimizes the impact of undesired and unexpected events.

Taking and managing appropriate levels of risk is an integral part of all our business activities. Risk Management, performed rigorously and comprehensively, creates stability, indirectly contributes to profit and is a key element of reputation management.

5. Definitions

"Audit Committee" or "Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]

"Policy" means Risk Management Policy.

"Risk" means the chance of something happening that will have an impact on the achievement of the Organisation's objectives. Risk is measured in terms of consequences and likelihood.

"Risk Assessment" means the systematic process of identifying and analysing risks.

"Risk Management" means the systematic way of protecting business resources and income against losses so that the objectives of the Group can be achieved without unnecessary interruption.

"Risk Management Process" means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

6. Regulatory framework/ requirement

Risk Management Policy is framed as per the following regulatory requirements:

6.1 Clause 49 of the Listing Agreement

Key functions of the Board

The Board should fulfil certain key functions, including:

- Reviewing and guiding corporate strategy, major plans of action, **risk policy**, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
- Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for **risk management**, financial and operational control, and compliance with the law and relevant standards.

49 (III) D Role of Audit Committee

The role of the Audit Committee shall include the following:

11. Evaluation of internal financial controls and risk management systems;

49(VI). Risk Management

- A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

49(II)D Information to be placed before Board of Directors (Annexure - X the Listing Agreement)

14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

6.2 Companies Act, 2013

6.2.1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

- (n) a statement 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.

6.2.2 Provisions of the Section 177(4)

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.

6.2.3 Schedule IV [Section 149(8)] - Code for Independent Directors

II. Role and functions:

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct;
- (4) satisfy themselves on the integrity of financial information and that financial controls and **the systems of risk management** are robust and defensible;

Minda Industries Limited being a listed Company is required to adhere to the regulations made both by the Companies Act, 2013 and Clause 49 of the Listing Agreement governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

7. Minda Approach for Risk Management

Minda adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. Minda believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

The flow comprise of three parts as under:

Part I	Risk Identifications & Assessment
Part II	Risk Monitoring & Mitigation
Part III	Risk management team

Part I **RISK IDENTIFICATIONS & ASSESSMENT**

Identification of risk, assessment of risk, monitoring of risk & mitigation of risk will enable to leverage market opportunities effectively.

Risk identification & Assessment consists of a detailed study of threats on the business based on vulnerability and resultant exposure to various risks. The risk are to evaluated as critical High, Medium & Low, based on Impact analysis are detailed in Annexure-I.

Part II **RISK MONITORING & MITIGATION**

i. Risk Related to Economic Environment and Market conditions

Economic slowdowns may affects the economic health of the customers' which onward will affect us.

Strategically, we should expand the customer base. The quality is also to be kept in mind because the customer is supreme.

The quality policy of the group, as stated in the Minda System Manual is to be followed.

To counter pricing pressures caused by competition, more emphasis is to be given to increase operational efficiency.

ii. Political Environment Risk

Where ever there is subsidiary abroad then any adverse change in the political environment in that country would have an impact in growth strategies of the company. Considering its basic political philosophy, we should review existing and future investment strategies on a continuous basis.

In India also a close review, through committee is must, which should periodically report to Board.

iii. Competition Risk

The markets for auto components are rapidly evolving and highly competitive and it is expected that competition will continue to intensify due to foreign players in India.

We must put an emphasis on importance of technology in house as well as with foreign collaborators also.

iv. Technological Obsolescence Risk

The company strongly believes that technological obsolescence is a practical reality. Technological obsolescence should be evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

v. Reporting to stakeholders Risks

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations are having direct impact on the Companies/group.

We should have to maintain high standards of corporate governance and public disclosure and our aim should be to comply with evolving laws, regulations and

standards and we must follow the applicable standard and requirement of Companies Act.

An extra care is mandatory to have good internal controls wherein at least two persons be involved i.e. doer and checker be separate. The awareness of the whistleblower policy at all level of the Company is the responsibility of the top management. So that it can be used as a good tool for avoidance of fraud/misstatement in the system of the Company.

vi. Non Compliance Risk

The master compliance checklist should be updated on quarterly basis and major noncompliance to be reported to the Board with proposed actions.

vii. Environmental Risk Management:

All approvals from relevant authorities and to maintain the prescribed approvals through inspection/audit of the facilities/procedure in this regard as stated in the Minda System Manual.

Minda environmental policy is placed at Minda System Manual for its adherence.

viii. Human Resource Management Risk

We at Minda has the policies including Career Development plan to enhance the competency & functional skills as defined in the Minda System Manual. To avoid any issue relating to harassment at work place, the sexual harassment policy is to be implemented at all level.

ix. Culture and Values Risk.

The Company has various plants located in different geographical locations and people belonging to different culture and values are employed in those plants.

Managing risk consistently among multi-cultural workforce is very critical. To mitigate this risk the Minda Cultural Manual is in place for adherence.

The company has implemented a written code of conduct and ethics for the employees. These policies are disseminated on the Company's website and affirmations have been obtained from all concerned to ensure compliance.

Our organization values are:

1. Customer is supreme
2. Live quality
3. Encourage creativity & innovation to drive 3 P (people, processes and products)
4. Respect for Individual
5. Respect for workplace ethics

x. Accident Risk

The safety policy as stated in the Minda System Manual including the areas relating to safety i.e. fencing of machines, inspection of Hoists and Lifts, pressure plant, explosives and inflammable dust, safety of building and machinery including electrical equipments is to be adhered.

xi. Revenue Concentration Risk

High concentration in any single business segment exposes the company to the risks inherent in that segment. We should adopted prudent norms based on which we should monitor and prevent undesirable concentration in a geography, industry, or customer.

xii. Inflation and Cost Structure Risk

To mitigate the inflation impact the pricing with customer, should be such as that the pricing be linked with inflationary factor.

xiii. Fluctuations in Foreign Exchange Risk

The objective of the risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Our aim should be to cover foreseeable fluctuations with limited hedge cover so that moderate arbitrage efficiency is achieved against the existing borrowing rates of interest.

xiv. Information Technology Risk

The group has IT policy in place detailed in Minda System Manual which covers the steps to be taken to mitigate the IT risk including disaster recovery plan, which are subject to internal and external Audit.

PART III

RISK MANAGEMENT TEAM

The structure along with key roles and responsibilities regarding risk management in the Company are summarized below:

Level	Key roles and responsibilities
Board of Directors (Board)	<ul style="list-style-type: none"> To review its corporate governance oversight responsibilities with regard to identification, evaluation and mitigation of operational, strategic and external environment risks Monitoring and reviewing risk management practices of the Company Reviewing and approving risk-related disclosures Reviewing enterprise risks from time to time, initiating mitigation actions, identifying the owners and reviewing the progress and effectiveness of mitigation actions Formulation and deployment of risk management policies Deploying practices for the identification, assessment, monitoring, mitigation and reporting of risks
Cross Functional Team (CFT)	<ul style="list-style-type: none"> Providing updates to Board from time to time on the enterprise risks and actions taken Comprises the network of risk managers from the domain. Facilitating the execution of risk management practices in the enterprise as mandated, in the areas of risk identification, assessment, monitoring, mitigation and reporting Working closely with owners of risk in deploying mitigation measures and monitoring their effectiveness.
Domain Heads	<ul style="list-style-type: none"> Responsible for managing their functions as per the Company risk management philosophy Responsible for managing risks associated to the business decisions relating to their unit, span of control or area of operations. Adhering to risk management policies and procedures Implementation of prescribed risk mitigation actions Reporting risk events and incidents in a timely manner

Disclaimer Clause

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

8. Disclosures

The disclosures relating to Risk Management Policy shall be made in the following manner:

- i. Board of Directors shall include a statement 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.
- ii. The policy shall be disclosed on the website of the Company www.mindaroup.com and a web link thereof shall be provided in the Annual Report every year.

9. General

The decision of the Board of Directors of the Company with regard to any or all matters relating to this policy shall be final and binding on all concerned. The Board of Directors of the Company shall have the power to modify, amend or replace this policy in part or full as may be thought fit from time to time in their absolute discretion.

10. Policy Review

In case of any subsequent changes in the provisions of the Companies Act, 2013 or Listing Agreement, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy.

This policy on Risk Management is approved by the Board of Directors on this 11th day of November, 2014.

Annexure-I

Risk Matrix

Step I - Risk Mapping = Probability X Impact

Scoring Matrix	Impact	Insignificant	Significant	Material	Major	Highest
Probability	Rating	1	2	3	4	5
Almost Certain	5	5	10	15	20	25
Probable	4	4	8	12	16	20
Reasonably Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Remote	1	1	2	3	4	5

Risk Scoring Matrix

Risk Score	Description
15,16,20,25	Critical
8,9,10,12	High
3,4,5,6	Medium
1,2	Low

Step II Rating criteria - higher the certainty higher will be the weightage

Rating	Description	Likelihood
5	Almost Certain	•Event is expected to occur at least once in 6 month horizon
4	Probable	•Event is expected to occur at least once in 1 year horizon
3	Reasonably Possible	•Event is expected to occur at least once in 2 year horizon
2	Reasonably Possible	•Event is expected to occur at least once in 3 year horizon
1	Remote	•Event is not expected to occur in 5 year horizon

Step III Risk Rating – Insignificant to severe- starting from lower weightage to insignificant & so on – will be frozen after some tested figures

#	Description	Insigni- ficant	Significant	Material	Major	Severe
	Rating	1	2	3	4	5
1	Sales (Revenue) Impact	< than 0.05 % of Revenue	>0.10 % of Revenue	=> 0.50 % of Revenue	=> 1.0 % of Revenue	=> 2.0 % of Revenue
2	If relates to Assets –any class of assets	< than 0.10 % of Assets	=> 0.20 % of Assets	=> 0.50 % of Assets	=> 0.75 % of Assets	=>1.0 % of Assets
3	Impact on Profit	<INR 100,000 on profits	<INR 500,000 on profits	< INR 10 Lacs	< INR 20 lacs	< INR 30 lacs on profits
4	Absolute Value	< INR 5 lacs	=> 10 lacs	=> 20 lacs	=>30 lacs	=> INR 50 lacs