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|  | SPARK MINDA GROUP             | Document No.   | MSG-CA-002  |
|   |                               | Rev No.        | R02         |
|   | Title: Risk Management Policy | Effective Date | 01-May-2024 |
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1.0.0 **Purpose and Objective:**

1.1.0 The Policy is formulated in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and provisions of the Companies Act, 2013 (“the Act”), which requires the Company to lay down procedures about risk assessment and risk minimization.

1.2.0 The main objective of this policy is to develop organizational wide capabilities in Risk Management to ensure sustainable business growth with consistent, efficient and effective assessment and management of risk in the achievement of the organization’s objectives.

1.3.0 In case of any clause of this policy is contrary to the provisions of any law in force, then the provision of such law shall prevail over any clause mentioned in this policy.

2.0.0 **Applicability:**

Unless otherwise stated, this policy is applicable to all plants/ companies of Spark Minda Group.

3.0.0 **Scope:**


The scope of the Risk Management Policy is to form Risk Management Committee, Sub Committee , appoint Group Chief Risk Officer and define its roles & responsibilities, key risk terminology, outlines the risk management process. This policy forms part of the internal control and corporate governance process of the company. The aim of this policy is to develop a risk management framework considering the following measures:

- Identification of risk, define ownership with clearly defined roles and responsibilities
- Balance between the cost of managing risk and the anticipated benefits arising for incurring the cost to manage the risk
- Contributing to more efficient use/allocation of capital and resources
- To encourage and promote a pro -active approach towards risk management
- Identifying any unmitigated risks and formulating action plans for its treatment through regular review

4.0.0 **Definitions of terms:**

Following acronyms have been used in the below document:

- |     |  |
|-----|--|
| BOD | : Board of Directors                   |
| BV  | : Business Vertical                    |
| CEO | : Chief Executive Officer              |
| CFO | : Chief Financial Officer              |
| COO | : Chief Operating Officer              |
| CRO | : Chief Risk Officer                   |
| ESG | : Environmental, Social and Governance |
| HR  | : Human Resource                       |

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IT : Information Technology  
RMC : Risk Management Committee  
SCM : Supply Chain Management  
SEBI : Securities and Exchange Board of India

5.0.0 **Risk Organisation Structure:**

5.1.0 **Risk Management Committee Composition & Roles and Responsibilities**

The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security. Constitution along-with risk and responsibilities of risk organization shall be as follows:

| Committee                 | Constitution   | Roles and Responsibilities   |
|---------------------------|--|--|
| Risk Management Committee | <ul style="list-style-type: none"> <li>RMC shall be appointed by and serve at the discretion of the BOD</li> <li>Consist of no fewer than three members, majority of whom shall consist of members of the Board including at least one independent director</li> <li>Senior executives of the listed entity may be members of the committee</li> <li>Chairman shall be a member of the Board</li> <li>In case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise independent directors</li> </ul> | <ul style="list-style-type: none"> <li>A framework for identification of internal and external risks 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</li> <li>Measures for risk mitigation including systems and processes for internal control of identified risks</li> <li>Business continuity plan</li> <li>To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business</li> <li>To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems</li> <li>To periodically review the risk management policy by considering the changing industry dynamics and evolving complexity</li> <li>To keep the BOD informed about the nature and content of its discussions, recommendations and actions to be taken</li> <li>The RMC 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</li> </ul> |

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| Committee | Constitution  | Roles and Responsibilities   |
|-----------|---|--|
|           | <i>Refer Annexure 1 for Risk Organisation Structure and RMC Composition</i> | <ul style="list-style-type: none"> <li>The role and responsibilities of the RMC shall include such other items as may be prescribed by applicable law or the Board in compliance with applicable law, from time to time</li> </ul> |

## 5.2.0 Group Chief Risk Officer and BV Risk Sub Committee Composition & Roles and Responsibilities

5.2.1 The activities relating to Risk Management is to be managed by a person having overall insight of the Business processes. For analyzing and monitoring the risks at group level, GCFO shall be the Group Chief Risk Officer. Business Vertical CEO shall be the Vertical Risk officer who shall be managing and supervising the risk management activities at vertical level and Vertical CFO shall be the coordinator for the above activities.

5.2.2 Refer below the structure:

| Committee                              | Constitution  | Roles and Responsibilities  |
|--|---|---|
| Group Chief Risk Officer               | <ul style="list-style-type: none"> <li>Group CFO</li> </ul>   | <ul style="list-style-type: none"> <li>CRO shall be a person who is participating in business review meetings to analyse the risks involved</li> <li>CRO shall be a person who is involved in key management decisions and identify the business risks</li> <li>Report and monitor top critical business risk at group level</li> <li>To explain the mitigation plan against each critical risk</li> <li>Monitor the mitigation plan agreed on the risks identified at group level</li> </ul> |
| Business Vertical Risk Sub Committee   | <ul style="list-style-type: none"> <li>Vertical CEO, CFO, HR and COO shall be the members of the BV risk sub committee</li> <li><b>Vertical Risk Officer:</b> Vertical CEO</li> <li><b>Coordinator:</b> Vertical CFO</li> </ul> | <ul style="list-style-type: none"> <li>They shall identify and evaluate the risk and provide mitigation plan</li> <li>To hold its meeting at least three meetings in a year</li> <li>They shall draft risk analysis, risk treatment and control mechanism.</li> <li>To monitor the mitigation plan for the risks identified in the consolidated risk register</li> <li>Risk Register should be updated by any new risk identified to be placed to RMC for approval</li> </ul>                 |
| Secretary of Risk Management Committee | <ul style="list-style-type: none"> <li>Secretary of company shall be secretary of RMC</li> </ul>  | <ul style="list-style-type: none"> <li>To coordinate meetings of RMC</li> <li>To circulate Agenda for the RMC meeting</li> <li>To maintain and circulate minutes of all RMC meetings</li> </ul>   |

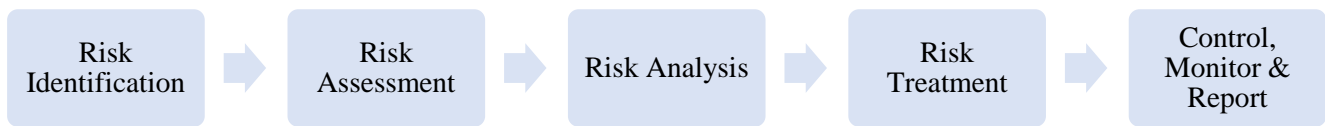
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6.0.0 **Meeting and Quorum:**

The Risk Management Committee shall meet at least twice a year in such a manner that not more than 180 days shall elapse between any two consecutive meetings. If required, more RMC meeting can be convened on time to time basis.

Either 2 members or 1/3rd of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance shall form the quorum for the meeting of the Committee.

7.0.0 **Risk Management Framework:**




7.1.0 **Risk Identification**

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each process and their material risk, assessing the risk level and preparing action plans to address and manage the risk.

A risk is an uncertainty whose likelihood may affect the achievement of an organization objective. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise. Risk can be classified as below:

- 7.1.1 **Corporate Governance Risk** are associated with enterprise and compliance related with any regulated requirements. This includes risk related to environment, social and legal compliances
- 7.1.2 **Information Technology Risk** are basically any threat to business data, critical systems and business processes. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organization
- 7.1.3 **Business Risks** refers to the anticipation that the firm may earn lower than expected profits or even suffer losses, because of the uncertainties inherent in the business such as competition, change in customer preferences, input cost, change in government policies. It may impede the business ability to provide returns on the investment
- 7.1.4 **Financial Risks** are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties

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7.1.5 **Quality & Supply Chain Risks** refers to assessing & maintaining quality of the product across the product lifecycle and managing uninterrupted flow of products supplied to the customer

7.1.6 **Critical Machinery Risks** refers to the hazards in connection with the use and operation of the machine


7.1.7 **Industry Relation Risks** is the inability of an organization to operate its manufacturing or other business activities as normally planned or budgeted as a result of the disruption to (or a cessation of) operations by all or part of its workforce

7.1.8 **Safety Risks** are the risk associated with the potential for harm in terms of human injury or ill-health, damage to property, damage to the environment, or a combination of these

7.1.9 **Strategic Risks** are associated with the primary long-term purpose, objectives and direction of the business

7.1.10 The Key risks are broadly categorized into:

| Risk Category                 | Key Risk (illustrative)  |
|-------------------------------|--|
| Corporate Governance Risks    | <ul style="list-style-type: none"> <li>• Ensure stricter adherence to laws / rules / regulations/ standards</li> <li>• Adherence of Company Policies and Procedures</li> <li>• ESG risks</li> <li>• Patent Risks</li> <li>• Price Sensitive Information</li> <li>• Research &amp; Development Risks</li> </ul>     |
| Information Technology Risks  | <ul style="list-style-type: none"> <li>• Use of unauthenticated License Software</li> <li>• Data Leakage Risks</li> <li>• Disaster Recovery Risks</li> <li>• Cyber Security Risk</li> <li>• Disaster Management</li> </ul>   |
| Business/ Marketing Risks     | <ul style="list-style-type: none"> <li>• Loss of major profitable Business</li> <li>• New Business Risks</li> <li>• Dependency on few customers</li> <li>• Vendors monopoly</li> <li>• Cost Optimization</li> <li>• Inventory</li> <li>• Consistent Revenue Growth</li> </ul>                                      |
| Financial and Reporting Risks | <ul style="list-style-type: none"> <li>• Volatility in Currency, Funding &amp; Credit Risk</li> <li>• Maintaining high standards of Corporate Governance and Public disclosures</li> <li>• Volatility in Commodity Market</li> <li>• Impairment Risks</li> <li>• Inefficient working capital Management</li> </ul> |
| Quality / Supply Chain Risks  | <ul style="list-style-type: none"> <li>• Customer dissatisfaction</li> </ul>   |


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| Risk Category                 | Key Risk (illustrative)  |
|-------------------------------|--|
|                               | <ul style="list-style-type: none"> <li>Quality Assurance</li> <li>Material Recall</li> <li>Logistic Risks</li> <li>Unavailability of material</li> </ul>   |
| Critical Machinery Risks      | <ul style="list-style-type: none"> <li>Back up of critical machines and its part</li> </ul>  |
| Industrial Relation/ HR Risks | <ul style="list-style-type: none"> <li>Labor Union Risks</li> <li>Collective bargaining and strikes</li> <li>Manpower retention</li> <li>Contractual Compliance</li> </ul>   |
| Safety Risks                  | <ul style="list-style-type: none"> <li>Risk of Fire</li> <li>Risk of Natural Disasters</li> <li>Safety Environment</li> </ul>  |
| Strategic Risks               | <ul style="list-style-type: none"> <li>Market Strategy (Merger &amp; Acquisition, Expansion)</li> <li>Political Environment</li> <li>Industry Changes</li> <li>Organizational Growth- Market Penetration, Market Share, Loss of reputation</li> <li>Globalization and Technological Obsolescence</li> <li>Volatility in Commodity Market</li> <li>Loss of Intellectual property and Trade secret</li> <li>Domestic and International markets</li> <li>Economic condition of the market, Global recession and Environmental Issues</li> <li>Competition</li> <li>Succession Planning Risks</li> </ul> |
| Technology Risks              | <ul style="list-style-type: none"> <li>Change in Technology Risks</li> </ul>   |
| Other Risks                   | <ul style="list-style-type: none"> <li>Any risk not covered above</li> </ul>   |

## 7.2.0 Risk Assessment

7.2.1 Risk assessment is the process of risk prioritization or profiling. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

- Financial loss;
- Non-compliance to regulations and applicable laws leading to imprisonment, fines, penalties etc.
- Loss of talent;
- Health, Safety and Environment related incidences
- Business interruptions / closure;
- Loss of values, ethics and reputation

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7.2.2 The Magnitude of the Risk has been defined after considering the impact on time, cost & quality and occurrence of an event of risk. The importance and assessment of the risk is defined in the form of Gross Risk Score, which indicates the degree / magnitude of any defined risk.

### 7.3.0 Risk Analysis

Risk Analysis is to be conducted using a risk matrix for likelihood and Impact, taking the existing controls into consideration. The methodology of defining the Gross Risk Score, is given as hereunder: -

7.3.1 **Gross Risk Score (GRS):** Gross Risk Score is the maximum score assigned to a Risk based on its rating as High and Medium (mapped and rated on 3X3 Heat matrix). All High Risks have a Gross score of 9. Medium Risks have Gross score of 4 in case all are considered as equal.

| Level | Description | Risk Weight (1-3) | Ranking Criteria   |
|-------|-------------|-------------------|--|
| L     | Minor       | 1                 | No Major impact on the Financials, (profitability), Service Delivery and Customer experience (Brand) |
| M     | Moderate    | 2                 | Moderate Impact on the Financials, (profitability), Service Delivery and Customer experience (Brand) |
| H     | Major       | 3                 | Serious Impact on the Financials, (profitability), Service Delivery and Customer experience (Brand)  |


### 7.3.2 Risk Rating Scoreboard – Likelihood

| Level | Description    | Occurrence Weight | Likelihood of Risk Occurrence Ranking Criteria                               |
|-------|----------------|-------------------|--|
| L     | Unlikely       | 1                 | Has Occurred remotely or unlikely to occur                                   |
| M     | Likely         | 2                 | History of repeat Occurrence & potential of Occurring                        |
| H     | Almost Certain | 3                 | Shall occur periodically. Event has occurred frequently in the past one year |

### 7.3.3 Specimen of Gross Risk Score (Heat Matrix)

The Risks shall be reported in the form of a Risk Heat Matrix to ensure adequate focus on high risk areas and prioritize mitigation for the company This Heat Matrix indicates degrees of risk severity, as measured by impact and likelihood of occurrence.

|            |          |          |        |                |
|------------|----------|----------|--------|----------------|
| Impact     | Major    | 3        | 6      | 9              |
|            | Moderate | 2        | 4      | 6              |
|            | Minor    | 1        | 2      | 3              |
|            |          | Unlikely | Likely | Almost Certain |
| Likelihood |          |          |        |                |

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The overall scoring pattern has been defined to arrive at mitigated and unmitigated risk. The methodology of the scoring pattern has been considered in Risk Register.

#### 7.4.0 Risk Treatment – Mitigation

Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans for each risk are recorded in a risk register along with the timelines for implementation. Each action plan shall be given a mitigation factor (% of mitigation score) basis which mitigation score shall be derived in the risk register.

#### 7.5.0 Control and Monitoring Mechanism

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides a foundation for the development of an effective risk register, containing both the definitions and the guidance necessary for the process of assessing and mitigating risks identified within functions and associated processes.

The dashboards and risk register shall be prepared for each plant/ function defining the risks and mitigation plan. Dashboard for each business vertical shall be prepared post consolidating dashboards of all the plants.

#### 8.0.0 Reporting Structure:


##### 8.1.0 Reporting to RMC

The dashboard of risk score shall be presented to RMC basis the meeting scheduled as per the statutory requirement. The Presentation shall include the magnitude of risk and action plan & target date to mitigate the risk. In additional to this, the score of mitigated risk shall be considered in the KRA of the business head. The format for presentation and risk register has been attached in annexure 2.

##### 8.2.0 Board Meeting

The dashboard of risk score shall be presented to the Board Meeting and the same shall be reviewed by the Board members.

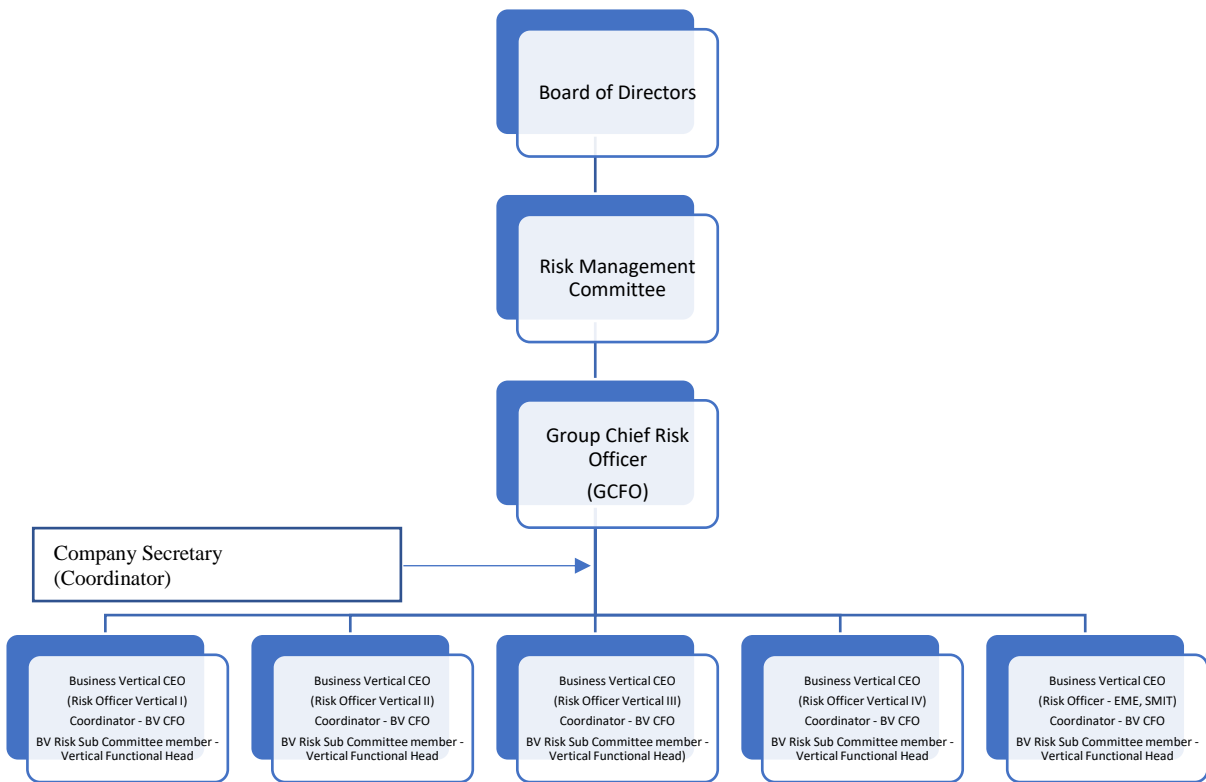


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9.0.0 **Annexures:**


**Annexure 1**

**Risk Organization Structure**



**Risk Management Committee Composition**

| Member | Designation                          |
|--------|--------------------------------------|
| 1      | Member of BOD (Chairman)             |
| 2      | Member of BOD (Independent Director) |
| 3      | Planning and Strategy Head           |

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## Annexure 2

### Formats




### List of Group Functional Committee Members:

| Name of Members | Designation        |
|-----------------|--------------------|
| Ravi Sud        | Chairman RMC       |
| Ashok Jha       | Member of RMC      |
| Aakash Minda    | Executive Director |
| Pradeep Mann    | Secretary of RMC   |

### Revision History

| Rev No | Description       | Date        |
|--------|-------------------|-------------|
| R00    | Original Document | NA          |
| R01    | Revised Document  | 04-Feb-2022 |
| R02    | Revised Document  | 01-May 2024 |

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### Statement of Changes

| Clause No. | Existing Provision | Revised Provision | Justification for change  |
|------------|--------------------|-------------------|---|
| NA         | NA                 | NA                | <ul style="list-style-type: none"> <li>Change due to Requirement of LODR to review in policy after two years.</li> <li>Updated the Designation of Aakash Ji in the Policy.</li> </ul> |

### Approval

| Responsibility | Name                              | Designation                         | Signature |
|----------------|-----------------------------------|-------------------------------------|-----------|
| Revised by     | Lalit Mittal                      | Lead – Corporate Audit & Governance |           |
| Reviewed by    | Sanjiv Kumar Jalan                | Head – Corporate Audit & Governance |           |
| Validated by   | Risk Management Committee Members | Risk Management Committee           |           |
| Approved by    | Board of Directors                | BOD of Minda Corporation Limited    |           |