TIRUPATI TYRES LIMITED

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POLICY ON RISK MANAGEMENT

PURPOSE & OBJECTIVE

The purpose of this Policy is to establish common risk management framework across **Tirupati Tyres Limited** ("The Company") and to strengthen and continually evolve an effective Risk Management framework across the Company to achieve sustainable growth ensuring no negative surprises and to set forth procedures to analyze risks within agreed parameters across the Company. It also describes the context for risk management as part of the overall system of internal controls and arrangements for periodic review. It aims to support those staff with particular involvement in anticipating, assessing and managing risks so that they can take timely and well-founded risk-informed decisions. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

RISK MANAGEMENT FRAMEWORK

The Company has designed a dynamic risk management framework to manage its risks effectively and efficiently, so as to meet its business objectives.

The Company's approach to risk management is summarized below:

Risk Assessment:

Process of identification, analysis and prioritization of risks. An effective risk assessment requires a common risk language and a continuous process for identifying and measuring risks. These elements need to be applied consistently across all key divisions, units and functions within the organization to understand the nature of the prioritized risks and their impact on business objectives, strategies and performance. Rating of the risks is done on the basis of Probability & Impact on EBITDA/ cash flows, wherever quantifiable.

Risk Mitigation:

Risk mitigation involves selecting one or more options for responding to the risks and implementing those options. It includes selecting risk mitigation strategy and measuring the effectiveness of mitigation plan developed.

Risk Monitoring & Reporting:

Reporting is an integral part of any process and critical from a monitoring perspective. Results of risk assessment need to be reported to all relevant stake holders for review, inputs and monitoring.

RISK PROFILE

The identification and effective management of risks is critical in achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

• External Risks: are risks beyond the control of the organization. These are risks faced due to external conditions in which the business operates (e.g. Natural disasters, Terrorism etc.)

• Strategic Risks: are associated with the primary long-term purpose, objectives and direction of the business. These risks may arise from the actions of other participants in the marketplace and/or the opportunities selected and decisions made by the business.

• Compliance Risks: are associated with non-conformance or inability to comply with the applicable rules and regulations.

• Operational Risks: are associated with the on-going, day-to-day operation of the business. These include the risks concerned with the business processes employed to meet the objectives.

• Financial Risks: are related specifically to the processes, techniques and instruments utilised to manage the finances of the organization, as well as those processes involved in sustaining effective financial relationships with customers and third parties.

• Knowledge Risks: are associated with the management and protection of knowledge and information including Cyber Security.

RISK OVERSIGHT

The Company has laid down well defined procedures for its various activities. All the operations and transactions in the Company are carried out in accordance with applicable rules & regulations, Company's Policies and Standard Operating procedures so as to assess the risk, if any, associated with such operations / transactions and minimize the same.

Governance Structure

The Company's Risk Management Framework is supported by the Divisional Heads/ Senior Management of each Business under the supervision and guidance of Risk Management Committee of the Board.

Responsibilities of Senior Management

- Monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

- Periodical review and monitoring of implementation of the mitigation plan.
- To appraise Risk Management Committee of the Board on the key risks identified.

Risk Management Committee

- The Risk Management Committee is a committee of the Board, with delegated responsibilities in relation to risk management processes within the Company.
- The Committee is also responsible for monitoring overall compliance with laws and regulations.
- The Committee reviews the risk management related activities atleast annually.
- The Committee to appoint a Chief Risk Officer to monitor and implement all Risk Management related activities.

Assurance

- There are different levels of assurance in relation to the effectiveness and efficiency of the Risk Management Framework and associated processes and controls.
- At first instance, assurance is provided from management through management reports and process. The reports and process will be founded on a sound system of risk management and internal control and the assurance that the system was operating effectively in all material respects to strategic, shareholder, operational and financial risks.
- Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit Committee, as well as from the independent testing, review and reporting undertaken by Independent external auditors who provide an audit opinion as required by law.
- Internal Auditors of the Company will carry out a review of each unit periodically of the risks identified, its effect on the Company and the steps taken to mitigate those risks.

Guidelines To Deal With The Risks

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

Board Approval

The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

• **Risk Treatment:** Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a) Effective and efficient operations
b) Effective Internal Controls
c) Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

Risk Registers:

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Risk Management Committee, and the Board.

Enterprise Risk Planning (ERP package) shall play a key role in timely availability of all data/reports required for the Committee to develop the Action Plan as stated above.

The Board shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

Role Of Risk Management Committee

The following shall serve as the Role and Responsibility of the Committee authorized to evaluate the effectiveness of the Risk Management Framework:

• Review of the strategy for implementing risk management policy
• To examine the organization structure relating to Risk Management
• Evaluate the efficacy of Risk Management Systems – Recording and Reporting
• To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines
• To define internal control measures to facilitate a smooth functioning of the risk management systems

• Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

Integration of Risk Management Strategy

Company's risk management strategy is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

Review of Policy

The Risk Management Committee of the Board to review this Policy periodically to ensure it remains consistent with the Board's objectives and responsibilities.

Penalties

The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Act as well as SEBI Act which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

Review

This policy shall evolve by review by the Risk Management Committee and the Board from time to time as may be necessary. This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

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