

# **SCHAEFFLER INDIA LIMITED**

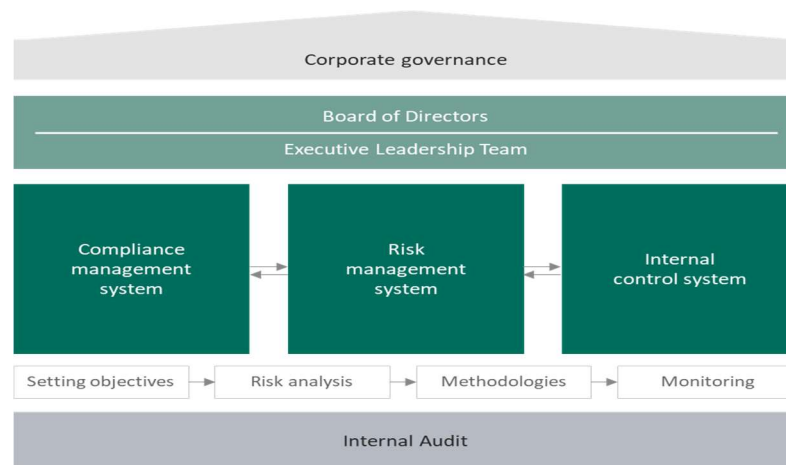
## **Risk Management Policy**



## 1. Introduction

As per Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter may be referred as 'Listing Regulations') (as amended from time to time), this 'Risk Management Policy' of Schaeffler India Limited (the "Policy") has been formulated in alignment with Company's existing Risk Management Framework.

### Governance structure



As the world continues to evolve and transform by the minute, it is always extremely crucial for the company to be conscious of the existing and emerging risks. Prudent and well-defined risk management practices and policies enable businesses to protect interest of all stakeholders efficiently. The Company has adopted a multi-layered process involving the entire organization, right from the risk operators to the Board of Directors. Risk Management is an integral part of the governance structure of the Company.

## 2. Definitions

- a) **"Act"** means Companies Act 2013 and rules made thereunder as amended from time to time.
- b) **"Company"** means Schaeffler India Limited.
- c) **"Policy"** means Risk Management Policy.
- d) **"Risk Management Committee"** or **"RMC"** or the **"Committee"** means a committee formed under Regulation 21 of the Listing Regulations, as amended from time to time.
- e) **"Risk Management Working Group"** or **"RMWG"** means a group of senior officials of the Company.

f) “**Listing Regulations**” means SEBI (Listing Obligation and Disclosure Requirements) and as amended from time to time.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Listing Regulations (as amended from time to time) shall have the meaning respectively assigned to them therein.

### **3. Objectives and purpose of this Policy**

The key objectives of the Policy are:

- 3.1 To establish Risk Management Policy based on the existing Risk Management Framework / Strategy for the Company’s risk management process and to ensure its implementation.
- 3.2 To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, monitored and reported i.e. to ensure adequate systems for risk management.
- 3.3 To enable compliance with appropriate regulations, wherever applicable, through the adoption of the best practices.

### **4. Risk Management System / Process**

- Identification and documentation of risks
- Description, analysis and valuation of risk by cause and effect
- Early warning system and mitigation planning
- Review and follow up of mitigation measures
- Reporting on a semi-annual basis

The same has been further represented as below:



Risk Management System



## 5. Risk Assessment

The Company has Risk Management Working Group (RMWG) which operates as an interface between various functions / divisions of the Company and Risk Management Committee of the Board. The RMWG does not only monitor, review, and guide productive implementation of risk management at Schaeffler, but also provides valuable feedback to the Committee.

- The Company has bottom-up approach for assessing and managing risks.
- The risk assessment is done with two-dimensional approach i.e. amount and probability of damage.
- The risk management strategy / framework as approved by the Committee is implemented by the Company management.
- The risk operator identifies the risks at divisional / functional level, defines established measures to mitigate the risks, evaluate impact both before and after such measures and determine future measures, if required, to minimize the risk impact.
- RMWG reviews and monitors identified risks and mitigation plans, guide for identifying additional risks as well as for improving the mitigation plan, and present risk report to the Committee.
- The Committee / Board reviews the report and risk strategy and suggests areas of improvement.
- The risk evaluation is performed semi-annually.

## 6. Risk classification

The risks for the Company can be broadly categorized as;

- Strategic risks,
- Operational risks,

- Financial risks,
- Business Continuity risks,
- Legal and Compliance risks,
- Cyber Security risks,
- Sectoral risks,
- Sustainability risks

The risk classification may undergo change depending on the change in operating environment and regulatory framework.

## **7. Role of Risk Management Committee**

The following shall be the role / terms of reference of the Risk Management Committee in accordance with the applicable regulations:

- 7.1 To formulate a detailed Risk Management Policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the Company, 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;
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks; and
  - (c) Business continuity plan.
- 7.2 The Committee shall ensure that appropriate methodology processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- 7.3 The Committee shall monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of risk management systems.
- 7.4 The Committee shall periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- 7.5 The Committee shall keep the Board of Directors informed about the nature and content of its discussions, recommendations, and actions to be taken.
- 7.6 The Committee shall review the appointment, removal, and terms of remuneration of the Chief Risk Officer (if any).
- 7.7 The Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors.
- 7.8 The Committee 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.

**8. Meetings / Quorum**

The RMC meetings are required to be held twice in a year. The gap between 2 consecutive meetings cannot be more than 180 days on a continuous basis. The quorum for the meeting shall be either two members or one third of the members of the Committee, whichever is higher, including at least one member of the Board in attendance.

**9. Policy review / Amendments**

In case of subsequent amendments in the Act and/or Listing Regulations which makes any of the provisions in the Policy inconsistent with the Act or Listing Regulations, then the provisions of the Act or Listing Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the changes in law.

a) Statutory Updates

This Policy shall be considered as updated automatically, without any formal approval, to the extent it needs to be aligned with any change in law. An update thereon would be reported to the Committee and the Board of Directors.

b) Other updates

The Risk Management Policy shall be reviewed at least once in two years, including by considering the changing industry dynamics and evolving complexity.

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