FEDERAL-MOGUL GOETZE (INDIA) LIMITED

"POLICY ON RISK MANAGEMENT"

(As amended by the Board of Directors of the Company in their meeting held on 28th May, 2019 effective from 1st April, 2019 and subsequently on 28th June, 2021)

BACKGROUND

Federal-Mogul Goetze (India) Limited (Hereinafter referred to as "the Company"), is inter-alia engaged mainly in the manufacture, supply and distribution of 'automotive components' used in two/three/four wheeler automobiles. The principal facilities of the Company are located at Patiala (Punjab), Bengaluru (Karnataka) and Bhiwadi (Rajasthan), with its registered office at Delhi. The Company is listed at National Stock Exchange of India Limited and Bombay Stock Exchange. Federal Mogul Holdings Limited, Mauritius, is the immediate parent company of the Company and the ultimate parent company is Tenneco Inc., USA.

Risk is an inherent aspect of the dynamic business environment. The business activities of the Company carry various internal and external risks. Risk Management Policy helps organizations to put in place effective frameworks for taking informed decisions about risks. To minimize the adverse consequence of risks on business objectives, the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

Further, on the basis of the market capitalization as on 31st March 2019, the "Company" became a part of top 500 listed entities. The Company in its Board Meeting held on 13th May, 2016 approved and adopted the Risk Management Policy. Subsequently, the Company in its Board Meeting held on 28th May, 2019 amended, approved and adopted the revised Risk Management Policy w.e.f 1st April, 2019 and constituted a Risk Management Committee thereof as per the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, to assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational, and external environment risks, monitoring and approving the enterprise risk management framework.

The Company further in view of amendment in Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 vide Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021amended its Policy on Risk Management in its Board Meeting held on 28th June, 2021.

LEGAL FRAMEWORK

Responsibility of the Board: The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should 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.

As per Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions, such function shall specifically cover cyber security.

Responsibility of the Audit Committee: The provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of internal financial controls and risk management systems.

Responsibility of the Independent Directors: The provisions of Schedule IV [Part II-(4)] of the Companies Act, 2013, require that the Independent directors shall satisfy themselves that the financial controls and the systems of risk management are robust and defensible.

OBJECTIVE AND PURPOSE

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:

1. 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.
2. To establish a framework for Company's risk management process and to ensure its implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.

KEY DEFINITIONS

Company: Means Federal-Mogul Goetze (India) Limited.
Audit Committee: Means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and SEBI (Listing Obligations And Disclosure Requirements), 2015, as amended from time to time.

Board of Directors / Board: As per Section 2 of the Companies Act, 2013, in relation to a Company, means the collective body of directors of the Company.

Committee: Means Risk Management Committee

Policy: Means Risk Management Policy

Risk*: Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise's ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

- Strategic Risks are associated with the primary long-term purpose, objectives and direction of the business.
- Operational Risks are associated with the on-going, day-to-day operations of the enterprise.
- 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.
- Knowledge Risks are associated with the management and protection of knowledge and information within the enterprise.

(* as defined in Standard of Internal Audit (SIA) 13 issued by the Institute of Internal Auditors)

Risk Assessment: Risk Assessment is a systematic process of identifying and analyzing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

Risk Management: Risk Management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. It also provides a system for the setting of priorities when there are competing demands on limited resources. In a way risk management is a systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

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

RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:

1. External Risk Factors:

a) Economic Environment and Market conditions,

b) Political Environment,

c) Competition,

d) Revenue Concentration and liquidity aspects.

Each product such as pistons, piston rings, pins and value seats & guides, has specific aspects on profitability and liquidity. The risks are therefore associated on each product in contributing to total revenue, profitability and liquidity.

e) **Inflation and Cost structure**: Inflation is inherent in any business and thereby there is a tendency of costs going higher.

f) **Technology Obsolescence:** The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

g) **Legal:** Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

h) Financial and Reporting Risk: Risk relating to commodity & currency fluctuation

i) Risk on brand reputation due to unsatisfactory customer service

2. Internal Risk Factors:

a. Contractual Compliance
b. Operational Efficiency/Operational Risk : Risk of vendor dependency (Import/Single vendor dependency, IPR)
c. Hurdles in optimum use of resources
d. Quality Assurance (Product Performance vs Brand Perception)
e. Environmental Management
f. Human Resource Management inter alia including risk of employee attrition
g. Culture and values
h. Cyber Security

BUSINESS CONTINUITY PLAN

Risk Management is a continuous process of analyzing and availing the opportunities and managing threats faced by the Company in its efforts to achieve its goals, and to ensure the continuity of the business. Risks can be internal or external. The Management of the Company strives to have a policy of strong corporate ethics that are more about the culture of the organization rather than an outcome of legal provisions. It aims to maintain healthy internal control systems and practices which in turn helps in overcoming all prevalent risks and ensuring continuity of business.

RISK MITIGATION

Risk mitigation process includes the following measures for developing systems and processes for internal control of identified risks:

- To identify challenges, opportunities and related risks.
- To access the nature of risk i.e. internal, external, operational, financial, reputational etc.
- To access the velocity, consequence, prioritization, likelihood of risk.
- To develop an action plan for risk mitigation including but not limited to formation of a team, to do cost benefit analysis etc.
- To do performance monitoring, communicating and reporting.

BACKGROUND AND IMPLEMENTATION

All the Head of Departments (HODs) under the guidance of the Board of Directors have the responsibility for overviewing management’s processes and results in identifying, assessing and monitoring risks associated with Company’s business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the HODs consider and assess the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall be appointed by and will serve at the discretion of the Board. The Risk Management Committee shall consist of atleast three members, majority of whom shall consist of members of the Board including at least one independent director. The Chairman of the Risk Management Committee shall be a member of the Board.

The members of the Risk Management Committee shall meet the requirements under the Indian laws, including Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. The members of the Risk Management Committee will be appointed by the Board.

The Risk Management 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.

MEETINGS AND QUORUM

The Risk Management Committee shall meet at least two times in a year, with a gap of not more than one hundred and eighty days between two consecutive meetings.

The quorum for a meeting of the Risk Management Committee 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 of Directors in attendance.

ROLE AND RESPONSIBILITY OF THE BOARD OF DIRECTORS

- Approve the risk management policy
- Defining the roles and responsibilities of the Risk Management Committee
- Delegate monitoring and review of the risk management activities and such other functions as deemed fit to the committee
- Review and consider risk management reports
- Ensure in the Board's report inclusion of a statement indicating development and implementation of the risk management policy for the company including identification therein of critical elements of risk, relevant to the Company

ROLE AND RESPONSIBILITY OF THE RISK MANAGEMENT COMMITTEE

(1) To formulate a detailed risk management policy, covering the requirements as specified by SEBI from time to time;
(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
(3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
(4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
(5) To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
(6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

In case there is/are any overlapping of activities, roles or responsibility of other committees of the Company with the activities, roles or responsibility of Risk Management Committee, the Risk Management Committee shall coordinate with such committees as per the directions of the Board of Directors.

MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be recorded as minutes and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

AMENDMENTS

In the event of any amendment in the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or issuance of any notification/clarification thereto, such amendments/clarification shall be deemed to be adopted by the Company and the policy shall stand amended to the extent of such change and in case of any conflict between the provisions of this policy and Companies Act, 2013/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the latter shall prevail.

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