

NRB Bearings Limited

RISK MANAGEMENT POLICY

Background

As per Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as the “Listing Regulations”) this Risk Management Policy of NRB Bearings Limited (the Policy) has been formulated in alignment with the Company’s existing Risk Management Framework.

The Company considers ongoing risk management and Company’s ability to identify and address risks as crucial to the achievement of the Company’s objectives. Management of risks is an integral part of the corporate governance philosophy and the Company strongly believes that prudent and well defined risk management processes enable protection of all stakeholders. The Company believes that risk management practices should seek to sustain and enhance long term competitive advantage of the Company.

Objective

The Board of Directors (hereinafter referred to as the Board) shall constitute a Risk Management Committee and has defined the roles and responsibilities of the Risk Management Committee to control the risks through properly defined framework. The Board may re-constitute the Committee as it may deem fit. The primary responsibility for identification, assessment, management and reporting of risks and opportunities shall primarily rest with the business managers, who are best positioned to identify the risks and opportunities they face, evaluate these and manage them on a day-to-day basis.

The objective of the Policy is to minimize risks that may affect the achievement of the Company’s business objectives and stakeholder value, as well as to enable compliance with applicable laws and regulations through adoption of best practices.

Risk Management System/Process

The Company aims to manage and mitigate risks involved in the Company’s activities by considering the following:

- Identification of risks, define ownership with clearly defined roles and responsibilities
- Create balance between the cost of managing risk and the anticipated benefit
- Efficient use or allocation of capital resources
- Formulating action plans for mitigation of identified risks
- Formulating framework for regular review of action plans for mitigation

Risk Categories:

- Strategy: Choices and decisions we make to enhance long term competitive advantage of the Company and value to the stakeholders.

- Industry: Relates to the inherent characteristics of our industry including competitive structure, nature of market and regulatory environment.
- Technology: Rapid strides in technology like electric vehicles and autonomous driving.
- Counterparty: Risks arising from our association with entities for conducting business. These include customers, vendors and their respective industries.
- Resources: Risks arising from sub-optimal utilization of key organization resources such as capital and infrastructure.
- Operations: Risks inherent to our business operations includes service & delivery to customers, business support activities like NPD, TPM, Quality management, IT, Legal, Taxation
- Regulations and compliance: Risks due to inadequate compliance to regulations and contractual obligations violations leading to litigation and loss of reputation

Risk Identification

In order to identify and assess material business risks, the Company defines risks and prepares profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company mainly focuses on the following types of material risks:

- Business Continuity Risks
- Commodity Risks
- Foreign Exchange Risks
- Technology Risks
- Cyber Security Risks
- Competition Risks
- Quality Risks
- Realisation Risks
- Financial Risks
- Human Resources Risks
- Regulatory Risks

Risk Management Structure

Board of Directors

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by the Risk Management Committee. The Risk Management Committee may also refer particular issues to the Board for consideration and direction.

Risk Management Committee

The Risk Management Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board on the effectiveness of the risk management

program in identifying and addressing material business risks. The role and responsibilities of the Risk Management Committee are:

(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 listed entity, 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.

(c) Business continuity plan.

(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company and monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(3) Overseeing risk appetite and risk tolerance appropriate to each business area and considering the risk policy and strategy;

(4) Overseeing compliance with the stated risk appetite and policies and procedures related to risk management governance and the risk controls framework and reporting risks and deficiencies, including emerging risks;

(5) Monitoring the alignment of the risk framework to the firm's growth strategy, supporting a culture of risk taking within sound risk governance; and having an overview of the key risk issues identified across the Company including the subsidiaries and associates.

Additionally, as per Regulation 21 of the Regulation, the Committee is required to review the Risk Management Policy at least once in two years, by considering the changing industry dynamics and evolving complexity and to keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken.

The Risk Management Committee shall also review the appointment, removal and terms of remuneration of the Chief Risk Office, if any.

Senior Management

The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warning before the risks escalate. Senior Management must implement the action plans developed to address material business risks across the Company and business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans as appropriate. An Internal Risk Committee consisting of MD, ED, COO, CFO, CHRO, CS, Head-Engineering/CTO, Head-Manufacturing and Head-IT shall meet at least once every quarter to review compliance with identified mitigation measures.

Employees

All employees responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

Monitoring

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.

The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, by the Committee, and the Internal Auditor.

Amendment

This Policy will be reviewed and amended as and when required by the Board. Any subsequent amendment/modification in the Listing Regulations and any other applicable law shall automatically apply to this Policy.