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RISK MANAGEMENT POLICY

1. Purpose

Risk management is an integral component of good corporate governance and fundamental in achieving the Company's strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

Precision Camshafts Limited, hereinafter referred to as "PCL", desires to refine its organizational wide capabilities in risk management to ensure a consistent, efficient and effective assessment of risks in the achievement of the organization's objectives. It views risk management as an integral part to its objective of creating and maintaining business continuity, shareholder value and successful execution of its strategies.

The Company's risk management policy provides the framework to manage the risks associated with its activities. It is designed to identify, assess, monitor and manage risk.

2. Objectives

At PCL, we believe that an effective Risk Management process is the key to sustain operations, thereby protecting the shareholder value, improving governance process, achieving strategic objectives and being well prepared for adverse situations or unplanned circumstances, if they were to occur in the lifecycle of the business activities. PCL shall ensure implementation of effective Enterprise Risk Management by:

1. Putting in place Risk Management Frameworks and Processes.
2. Identifying risks and promoting a pro-active approach to treating such risks.
3. Allocating adequate resources to mitigate and manage risks and minimize their adverse impact on outcomes.
4. Optimizing risk situations to manage adverse exposure on deliverables and bring them in line with acceptable Risk Appetite of the Company.
5. Striving towards strengthening the Risk Management System through continuous learning and improvement.
6. Providing clear and strong basis for informed decision making at all levels of the organization on an ongoing basis, having duly evaluated like risks and their mitigation plan being controllable and within risk appetite.
7. Delineating Business Continuity Processes and Disaster Management Plans, for unforeseen exigencies and keeping the organization constituents, prepared to deal with such circumstances appropriately and adequately, under eventuality of such happenings.
8. Communicating this policy to the required stakeholders through suitable means and periodically reviewing its relevance in a continuously changing business environment.
9. Complying with all relevant laws and regulations across its areas of operation.

**Policy adopted on 10th August 2021 Amended on
10th February 2023 and reviewed on 23rd May 2024**



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3. Definitions

- a. **“Company”** means Precision Camshafts Limited.
- b. **“Risk”** means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.
- c. **“Risk Management”** is the process of systematically identifying, quantifying, and managing all Risks and opportunities that can affect achievement of a corporation’s strategic and financial goals.
- d. **“Risk Management Committee”** means the Committee formed by the Board of Directors of the Company.
- e. **“Risk Assessment”** means the overall process of risk analysis and evaluation.

4. Risk Management

Principles of Risk Management

- a) The Risk Management shall provide reasonable assurance in protection of business value from uncertainties and consequent losses.
- b) All concerned process owners of the company shall be responsible for identifying & mitigating key risks in their respective domain.
- c) The occurrence of Risk, progress of mitigation plan and its status will be monitored on periodic basis.

5. Risk Management Procedures

Risk management process includes four activities: Framework for Risk Identification, Risk Assessment, Measures for Risk Mitigation and Monitoring & Reporting.

a) Framework for Risk Identification

The purpose of framework of Risk identification is to identify the events that can have an adverse impact on the achievement of the business objectives which will include internal and external risks including financial, operational, sectoral, sustainability (particularly ESG related risks), information, cybersecurity risks or any other risks as may be determined.

b) Risk Assessment

Assessment involves quantification of the impact of Risks to determine potential severity and probability of occurrence. Each identified Risk shall be categorised as Strategic Risk, Business Risk and Operational Risk based on the above assessments.

c) Measures for Risk Mitigation

All identified Risks should be mitigated using any of the following Risk mitigation plan:



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- a. **Risk avoidance:** By not performing an activity that could carry Risk. Avoidance may seem the answer to all Risks but avoiding Risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
- b. **Risk transfer:** Mitigation by having another party to accept the Risk, either partial or total, typically by contract or by hedging / Insurance.
- c. **Risk reduction:** Employing methods/solutions that reduce the severity of the loss e.g. concreting being done for preventing landslide from occurring.
- d. **Risk retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small Risks where the cost of insuring against the Risk would be greater than the total losses sustained. All Risks that are not avoided or transferred are retained by default.
- e. Develop systems and processes for internal control of identified risks.
- f. Business continuity plan.

d) Monitoring and reviewing Risks

The Risk Management Committee shall monitor and oversee implementation of this policy and evaluate the risk management systems at periodic intervals. This policy shall be reviewed at least once in two years by considering the changing dynamics and evolving complexity. It may call upon respective functional head for reviewing various risks associated with the Company. It 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. Further, the Committee shall review appointment, removal and terms of remuneration of Chief Risk Officer, if any, if required. It may seek information from any employee of the Company, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary, balance risks and opportunities. It shall nurture a healthy and independent risk management function in the Company and carry out any other function as is referred by the Board from time to time.

6. Amendment

Any change in the Policy shall be approved by the Board of Directors ("Board") of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

7. Communication of this Policy

This Policy shall be posted on the website of the Company i.e. www.pclindia.in.