

- **RISK MANAGEMENT POLICY [TO BE APPROVED BY BOARD]**

- Menon Pistons Limited is committed to the identification and comprehensive management of risk.
- Risk is the effect of uncertainty on Menon Pistons Limited objectives and is inherent in our business. Risk management allows us to prevent losses or capitalize on opportunities.
- Understanding risk, and our appetite for risk, will be key considerations in our decision making.
- We aim to achieve a risk management culture through a series of risk management principles.

- **RISK MANAGEMENT PRINCIPLES**

MENON PISTONS LIMITED is committed to the following principles:

**a) Risk management creates and protects value**

Risk management contributes to the demonstrable achievement of objectives and improvement of performance in, for example, health and safety, asset security, legal and regulatory compliance, public acceptance, environmental protection, product quality, project management, efficiency in operations, culture, governance, reputation, and the allocation of capital and other resources.

**b) Risk management is an integral part of all MENON PISTONS LIMITED processes**

Risk management seeks to identify, understand, assess and effectively manage all significant risks faced by Menon Pistons Limited. It is not a stand-alone activity that is separate from the main activities and processes. Risk management is part of the responsibilities of management and an integral part of all Menon Pistons Limited processes, including strategic planning, projects, and change management processes.

**c) Risk management is a part of decision making**

The risks and impacts faced by Menon Pistons Limited in pursuit of its strategic goals and objectives are considered in the decisions that are made. Risk management assists the making of informed choices, prioritizing actions and distinguishing between alternative courses of actions. All employees assume responsibility for managing risk and are equipped and trusted to make Risk management decisions within their delegated authority.

**d) Risk management explicitly addresses uncertainty**

Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

**e) Risk management is systematic, structured and timely**

A systematic, timely and structured approach to Risk management contributes to efficiency and to consistent, comparable and reliable results.

**f) Risk management is based on the best available information**

The inputs to the process of managing risk are based on the information sources such as historical data, stakeholder feedback, observation, forecasts and expert judgments.

**g) Risk management is tailored**

Risk management is aligned with Menon Pistons Limited's external and internal context and risk profile.

**h) Risk management takes human and cultural factors into account**

Risk management recognizes the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of our objectives.

**i) Risk management is transparent and inclusive**

Appropriate and timely involvement of stakeholders and decision makers at all levels of Menon Pistons Limited ensures that Risk management remains relevant and up-to-date. Involvement also allows stakeholders properly represented and have their views taken into account in determining risk treatment.

**Risk management is dynamic, iterative and responsive to change**

Risk management continually senses and responds to change. As internal and external events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.

**j) Risk management facilitates continual improvement**

Menon Pistons Limited develops and implements strategies to improve Risk management maturity alongside all other aspects of the Company.

The Company is also committed to the Companies Act 2013<sup>1</sup>:

Recognize and manage risk aimed at maintaining a sound Risk management framework and periodically reviewing its effectiveness:

1. The board is responsible for the oversight of Risk management and has delegated some aspects of this oversight to Audit Committee.
2. The Audit Committee reviews the effectiveness of Risk management framework at least annually
3. Menon Pistons Limited discloses annually its major risks in the Director's Report

**<sup>1</sup>Requirements under Companies Act 2013-**

**Section 134(3)(n):** The Board of directors report must 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.

**Section 177(4)(vii):** The 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 control systems and risk management systems;

**Schedule IV: (Code for Independent directors)**

Roles and functions pt1- Help in bringing an independent judgment to bear on the board's deliberations, especially on the issues of strategy, performance of Risk management, resources, key appointments and standards of conduct.

Roles and functions pt4- Satisfy themselves on the integrity of financial information and that financial controls and the systems of Risk management defensible.

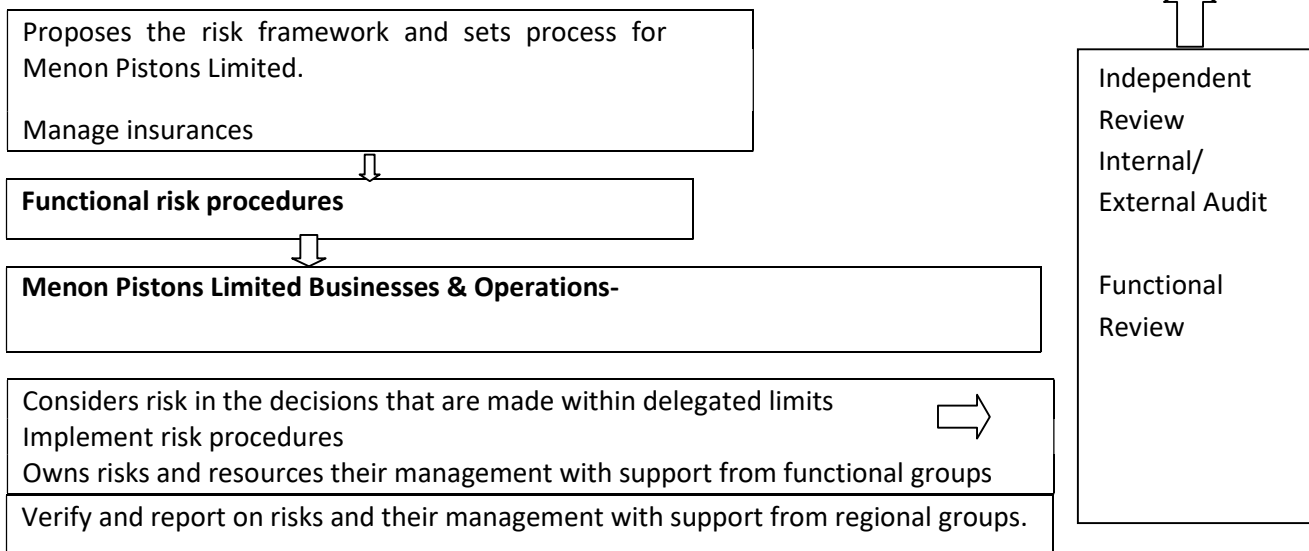
## Risk management Framework

Risk management at Menon Pistons Limited is a core and integral component of doing business, not a separate function. Menon Pistons Limited adopts an integrated approach to risk which helps direct all of our Risk management efforts towards improving value.

Figure 1: Diagrammatic representation of the Menon Pistons Limited Risk framework:

Approves the risk policy and insurances  Sets the risk appetite for the company  Promotes a Risk Management culture 	<b>Menon Pistons Limited Board &amp; Committees</b>	Full decision making and resourcing authority  Review the Risk management system  Review risks material to Menon Pistons Limited and their associated risk treatment
---	---	--

### Financial Control and Risk Management-



### Additional measures supporting the Risk management Framework-

- a) Designation of authority policy and guidelines;
- b) Companies Code of Conduct (along with associated requirements such as whistle blower policy)
- c) Approval processes including sign off requirements, executive briefings and inclusion of key projects, contracts and regulatory matters in pipelines which are updated regularly

- d) Environment policy HSE standards and management systems;
- e) Financial governance and control, including accounting policies, accounting reconciliations, reporting accounting matters for consideration and balance sheet stewardship reviews;
- f) Treasury risk policies, including liquidity, funding, hedging, currency, credit, guarantees and banking relationships;
- g) Internal and External Audit;
- h) Litigation reporting;
- i) Insurance

## Roles, Responsibilities and Authorities

**It is the responsibility of employees, management and directors that the risk and impacts to Menon Pistons Limited be considered in the decisions that they make.**

The additional roles and responsibilities outlined below are intended to give high level guidance on the primary focus of these groups with respect to risk. Further details regarding responsibilities are in other documentation such as Board and Senior Management Team, role descriptions, work performance systems and other procedures relating to activities conducted by these roles.

Role	Responsibility	Authority
<p><b>Board and Committees</b></p>	<ul style="list-style-type: none"> <li>• Oversee the management of risk, including review of the Risk management policy.</li> <li>• Review the appetite for risk annually.</li> <li>• Review the risk profile including risks that are material to the achievement of the company's objectives and potential emerging risks annually, with a midyear high level update.</li> <li>• Oversee an Audit Committee (AC) and Health, Safety &amp; Environment Committee (HSEC) with charters including specific Risk management responsibilities.</li> </ul> <p>AC includes:</p> <p>(a) Reviewing, monitoring and reporting to the Board on the effectiveness of the company's risk management system;</p> <p>(b) Assessing and monitoring financial control, external financial reporting, business conduct, litigation and regulatory risks (excluding those which are included as responsibilities in the charters of Board Committees) and assessing the effectiveness of related processes and controls; and</p> <p>(c) Review and approve the Company's insurance programme except for the Directors' and officers' liability insurance, which will remain the responsibility of the Board.</p>	<ul style="list-style-type: none"> <li>• Approve the Risk management Policy</li> <li>• Approve the Company's risk appetite</li> <li>• Approve the disclosures</li> <li>• Approve the company's insurance programme.</li> </ul>

	<p>HSEC includes: reviewing and monitoring HSE risks and related processes and resources to eliminate or minimize those risks.</p>	
<p><b>Managing Director and Senior Management Team</b></p>	<ul style="list-style-type: none"> <li>Promote the company's Risk management policies, processes and culture across the company</li> <li>Review of material risks and their management</li> <li>Report to board and committees on significant and emerging risks.</li> <li>Report business unit risks and status of mitigation actions to the board as part of their routine business unit reviews</li> <li>Report to the board and committees on the effectiveness of risk management processes, including providing the board with a bi-annual representation that the risk management framework has been complied with.</li> </ul>	<ul style="list-style-type: none"> <li>Decisions, actions, resources for delivering the management of material risks.</li> </ul>
<p><b>Management</b></p>	<ul style="list-style-type: none"> <li>Implement the approved Risk management system to their areas of control and manage risks that are material to their business activities.</li> <li>Verify compliance to the authorized Risk management system and its effectiveness.</li> <li>Report on risks and their management for due diligence and governance reporting purpose.</li> </ul>	<ul style="list-style-type: none"> <li>Decisions, actions, resources within their delegation of authority regarding the management of risks material to their business activities.</li> </ul>
<p><b>Personnel</b></p>	<ul style="list-style-type: none"> <li>Reporting of risks</li> <li>Participation in consultation regarding the control of risks to which they or others may be exposed</li> <li>Implementing the risk controls provided to manage risks to which they or others may be exposed</li> </ul>	<ul style="list-style-type: none"> <li>Challenge any activity where they feel the risk is not being adequately managed</li> </ul>
<p><b>Financial risk and management</b></p>	<ul style="list-style-type: none"> <li>Review and report quarterly to the AC on the company risk management policy and processed to which all Menon Pistons Limited risk management activities will align.</li> <li>Develop and maintain insurance programme consistent with the company risk appetite and strategic objectives</li> <li>Maintaining a centralized database of Menon</li> </ul>	<ul style="list-style-type: none"> <li>Propose changes to the risk management policy &amp; process for review &amp; approval by Board/ committees</li> <li>Propose changes to the insurance programme for review and approval by the Board/ committees</li> </ul>

	Pistons Limited material risks for reporting to the Board and Senior Management Team members.	<ul style="list-style-type: none"> <li>• Prepare report on governance.</li> </ul>
<b>Legislative Governance</b>	<ul style="list-style-type: none"> <li>• Develop and maintain risk management tools and processes pursuant to their function that are aligned to the risk management policy and relevant legislative requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare governance reports and recommend scope for improving the compliance mechanism to appropriate Board members or management personnel.</li> </ul>
<b>Safety Environment</b>	<ul style="list-style-type: none"> <li>• Provide stewardship and technical expertise to the executive and management groups implementing their risk management processes and control of risks</li> <li>• Develop and maintain a network of risk management facilitators across Menon Pistons Limited</li> <li>• Perform verification, governance and reporting activities to assist management executive and the board meet due diligence responsibility and legislative obligations</li> <li>• Through research, data analysis, auditing and other technical work advice management, executive and board of any significant risks including changes to existing material risks or new emerging material risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Groups regarding material risks and risk management processes and controls associated with their functions</li> </ul>
<b>Internal and External Audit (where applicable with their engagement and charter)</b>	<ul style="list-style-type: none"> <li>• Conducting review on the effectiveness of control and make recommendations for corrective actions and business improvement opportunities</li> <li>• Provide assurance on the risk management process</li> <li>• Advice new and emerging risks identified from the audit programs</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare audit report and make recommendations to the board and associated committees regarding Menon Pistons Limited's financial positions and selected business processes</li> <li>• Execute approved audit plan</li> </ul>

\*\*\*\*\*