APOLLO TYRES LTD

RISK MANAGEMENT CHARTER AND POLICY

APOLLO TYRES LTD

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1. Introduction

Apollo Tyres Ltd (‘Apollo’ or ‘the Company’) has identified the need for an efficient, effective and demonstrable Risk Management ('RM') process within the company. This document demonstrates Management's acceptance of a set of self-regulatory processes and procedures for ensuring the conduct of the business in a risk conscious manner.

The Risk Management Charter and underlined policies are intended to enable the Company to adopt a defined process for managing its risks and opportunities on an ongoing basis. An important purpose of this document is to implement a structured and comprehensive Risk Management System, which establishes a common understanding, language and methodology for identifying, assessing, monitoring and reporting risks and opportunities and which provides management and the Board of Directors of the Company (“the Board”) with the assurance that key risks and opportunities are being identified and managed. This charter is an integral part of the RM framework adopted by the Company. The policies underlined herein define the mechanism by which Apollo will identify measure and monitor its significant risks and opportunities.

The Company will also fulfil the requirements of provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) in relation to Risk Management.

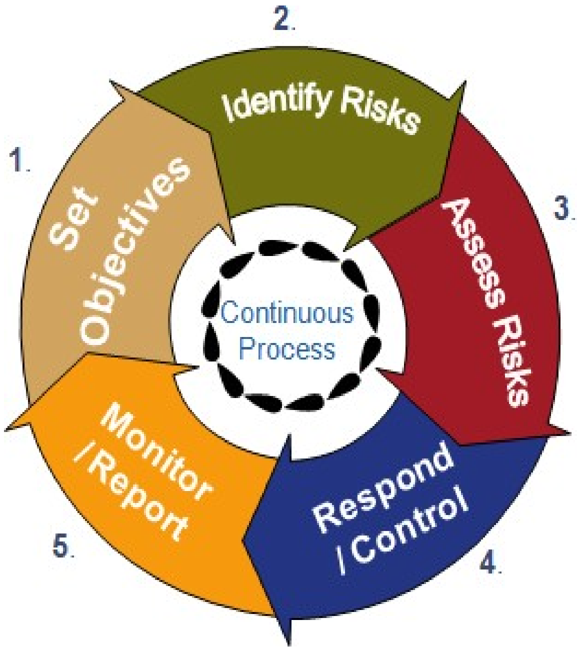
The Board has approved the roles and responsibilities of the Risk Management Committee (RMC).

2. Risk Management Charter

The Company is committed to high standards of business conduct and good RM to:

- Protect the company's assets;
- Achieve sustainable business growth and competitive advantage;
- Improve operational effectiveness and efficiency;
- Improve operational and financial reporting;
- Avoid major surprises related to the overall control environment;
- Safeguard shareholder investment;
- Ensure compliance with applicable legal and regulatory requirements;
- Create a culture that values managed risk taking; and
- Adhere to best in class Corporate Governance practices

This Charter is intended to ensure that an effective RM framework is established and implemented within the Company and to provide regular reports on the performance of that framework, including any exceptions, to the Board of Directors of the Company. This RM Charter and policy complements and does not replace other existing compliance programs. This document (the Charter) is built on the established principles of sound Risk Management. The Chart below describes the RM process adopted by Apollo:



Define Objectives
Define business objectives in Annual Business Planning

Risk Identification
Identify the risks & review them on continuous basis

Risk Assessment
Assess likelihood & impact of risk as High/ Medium/ Low

Risk Response
Develop/ document new/ existing risk responses

Risk Monitoring
Review the progress against action plan

2.1 Applicability

This RM Charter applies to the whole of the Company, Subsidiaries and includes all its regions and functions.

2.2 RM Objectives

The objective of RM is to help managers make informed actions which:

- Provide a sound basis for integrated RM as a component of good corporate governance
- Improve business performance by informing and improving decision making and planning
- Promote a more innovative, risk awareness culture in pursuit of opportunities to benefit the organization

To realize the RM objective, the Company aims to ensure that:

- The identification and management of risk is integrated in the day to day management of the business
- Risks are identified, assessed in the context of the Company's appetite for risk and their potential impact on the achievement of objectives, continuously monitored and managed to an acceptable level
- The escalation of risk information is timely, accurate and gives complete information on the risks to support decision making at all management levels

2.3 RM Principles

The principles contained in this policy will be applied at all regions and functions within the corporate. These are broadly divided in two parts, viz. General Principles and Specific Principles.

2.3.1 General Principles

- The risks are aligned with the organizational objectives. Few Cross Functional Teams (CFTs) are formed to share the common risks between dependent functions to avoid overlapping of risks.
- All RM activities will be aligned to corporate aims, objectives and organisational priorities of the Company.
- Risk analysis will form part of the company's strategic planning, business planning and investment/project appraisal procedures.
- Managers and staff at all levels will have a responsibility to identify, evaluate, manage and report risks / opportunities.
- Risks will be primarily managed by the Internal Committees, who will be assisted by the Chief Risk Officers ('CRO') within their functions.
- The Company will foster a culture, which provides for spreading best practice, lessons learnt and expertise acquired from RM activities across the organization for the benefit of the entire organization.

2.3.2 Specific Principles

- RM should be proactive and reasoned. Corporate and operational risks / opportunities should be identified, objectively assessed, and actively managed.
- The aim is to anticipate, and where possible, avoid risks rather than dealing with their impact. However, for some key areas where the likelihood of a risk occurring is relatively small, but the impact on the organization is high, the Company may cover that risk by developing contingency plans, e.g. Business Continuity Plans. This will allow the Company to contain the negative effect of unlikely events, which might occur.
- The Company recognizes that some risks can be managed by transferring them to a third party, for example by contracting out, or possibly, by insurance.
- In determining an appropriate response, the cost of control / risk management, and the impact of risks occurring will be balanced with the benefits of reducing risk. This means that the company may not necessarily set up and monitor controls to counter risks where the cost and effort are disproportionate to the impact or expected benefits.

2.4 Definitions

This RM policy is formed around a common understanding of terminology used in this document:

2.4.1 Risk / Opportunity

Risk is a direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. It also can be defined as an anticipated event or action that has a chance of occurring, which may result in a negative impact. Risk may also be defined as any threat / opportunity not taken that can potentially prevent the Company from meeting its objectives. For future reference in this document the term 'risk' includes opportunities not taken.

2.4.2 Risk Management (RM)

The systematic process of identifying, analyzing, and responding to anticipated future events that have the potential to generate unwanted effects.

2.4.3 Risk Analysis

The process of determining how often specified events may occur (likelihood) and the magnitude of their consequences (impact).

2.4.4 Risk Evaluation

The process used to determine RM priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria, to generate a prioritized list of risk for further monitoring and mitigation.

2.4.5 Risk Assessment

Risk assessment is the combined process of Risk Analysis and Risk Evaluation.

2.4.6 Risk Classification / Risk Category

Risk elements are classified into various risk classes, termed as 'risk baskets'. Risks are grouped for better management and control. Each risk category is appropriately defined for the purpose of common understanding. A list of risk categories along with their definitions is attached in Annexure I. This list may be modified in future to add / modify new risk categories that may emerge.

2.4.7 Risk Appetite

Risk Appetite is defined, as the amount of risk an entity is willing to take, given its capacity to bear risk and its risk philosophy. Risk appetite is determined for each business area.

2.5 Structure

The RM Structure, roles and responsibilities are set out in Chapter 3.

2.6 RM Approach

The RM Approach is explained in detail in Chapter 4.

2.7 Documentation

Appropriate documentation of each stage of the RM process should be followed. This framework provides a guide to documentation standards and how they are to be utilised.

The documentation will serve following purposes:

- to demonstrate that the RM process is conducted properly;
- to provide evidence of a systematic approach to risk identification and analysis;
- to provide a record of risks to support the development of a database of the Company's risks;
- provide responsible management with risk treatment plans for approval and subsequent implementation for those risks with a residual risk rating in excess of risk tolerance limits;
- provide accountability for managing the risks identified;
- facilitate continuous monitoring and review; and

- share and communicate RM information across the Company.

The responsibility for documenting the individual risks has been assigned to the CRO’s with the assistance from Risk Owners. CRO’s are also responsible for performing and documenting risk assessments and developing appropriate treatment plans.

The key documents pertaining to the RM process that needs to be maintained by the Company are:

- **RM Charter and Policies**

- **Risk Register (Annexure II):**

  containing function-wise list of all risks that have been identified during the periodical review. It is the key document used to communicate the current status of all known risks and is used for management control, reporting and reviews. The functional risk registers will be owned and maintained by the Internal Committees at their respective locations. The functional risk registers of various geographies maintained by the Internal Committees will get consolidated to be placed before the RM Committee ('RMC').

- **RM Report:**

  The report is to be placed before the RM Committee, which has been delegated the responsibility to review and recommend approvals to the Board of Directors.

3. RM Organisation

The organization structure for RM is depicted through the flow chart below. Detailed notes on roles and responsibilities of each level follow.

Board of Directors

Risk Management Committee (RMC)

Internal Committees

1. APMEA Region
2. Europe Region
3. Corporate Functions

Chief Risk Officer	Chief Risk Officer	Chief Risk Officer	Chief Risk Officer	Chief Risk Officer
Risk Owners	Risk Owners	Risk Owners	Risk Owners	Risk Owners

3.1 RM Committee

3.1.1 Membership

Members of the RMC will consist of:

- Mr. Sunam Sarkar, Chairman
- Mr. Satish Sharma
- Mr. Francesco Gori
- Mr. Robert Steinmetz
- Mr. Vikram Mehta
- Mr. Benoit Rivallant
- Mr. Gaurav Kumar

Secretary

Ms. Seema Thapar, Company Secretary

3.1.2 Operation and periodicity of meeting

The Company Secretary will be responsible as the Secretary to the RMC. The RMC shall meet on a quarterly basis or as required for urgent matters. Reports of RMC's activities (agendas, decisions) and meetings (including attendance) will be maintained for each meeting by the Secretary of the RMC.

3.1.3 Quorum of Meeting

The quorum necessary for the RMC meetings shall be atleast 2 members.

3.1.4 Deliverables

At a minimum, the RMC will deliver:

- Quarterly updated Risk Register (including mitigation plans).
- Reports as may be required for the Board of Directors.

3.2 Internal Committees

3.2.1 Membership

The Internal Committees are headed by the President (APMEA) for APMEA Region, President (Europe) for Europe Region and CFO for Corporate Functions. The Members of the Committees are responsible for heading the RM initiative within their respective areas.

3.3 Chief Risk Officers

The Chief Risk Officers are responsible to oversee the execution of RM strategies and policies. They are required to report and update the Internal Committees on the RM program.

3.4 Risk Owners

Risk Owners have been appointed for different categories of risk, during the risk identification and assessment process conducted for all the corporate functions. Role of Risk Owners is to assess, review, monitor and react to risks, evaluate and validate the status of risks and propose controls.

3.5 Roles & Responsibilities

The RM roles and responsibilities are as follows:

Board of Directors	• Review and approve risk assessment and risk management reports • Authorize RM charter and policies • Support RM practices
Audit Committee	• Annual Evaluation of the overall Risk Management System.
RM Committee	• Develop and maintain RM charter and policies. • Advise business units and corporate functions on risk initiatives. • Spearhead RM initiative within the Company. • Monitor emerging issues and shares best practices. • Improve RM techniques and enhances awareness. • Set standards for risk documentation and monitoring. • Recommend training programs for staff with specific RM responsibilities. • Assess and manage risk for Corporate and the company as a whole at the global level. • Review and approve the Risk Register prepared by the Chief Risk Officer. • As per regulation 21 (4) read with Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the role and responsibilities of Risk Management Committee (RMC) are as follows: (a) Formulation of a detailed RM policy including: (i) 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. (ii) Measures for risk mitigation including systems and processes for internal control of identified risks. (iii) Business continuity plan. (b) Ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company; (c) Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems; (d) Periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity; (e) Keep the board informed about the nature and content of its discussions, recommendations and actions to be taken; (f) To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any) (g) 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. (h) Seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary • Any other role or responsibility as may be delegated by the Board of Directors from time to time.

Internal Committee/Chief Risk Officers	• Oversee the execution of RM strategies and policies. • Report to and update the RMC on the RM program. • Prepare RM Report. • Monitor risk exposure versus limits as drawn up by the RMC. • Coordinate the RM initiative for the organization as a whole as per the RM charter and polices and the directives of the RMC. • Responsible for coordination between the RMC and Functional Committee. • Ensure that the risk register is reviewed and updated quarterly.
Risk Owners	• Responsible for identifying risks. • Responsible for reassessing risks on a periodic basis. • Responsible for preparing risk register. • Suggest mitigation plans. • Responsible for managing risk by implementing mitigation plans. • Escalate risks to respective CRO's on a need basis.
Secretary to RMC	• Responsible for ensuring that the required documentation has been maintained. • Maintain the reports of RMC activities and meetings. • Ensuring that the RMC meetings are held as required.

4. RM Process

4.1 Defining Business Objectives

The Management defines its mid to long term business objectives divided into Strategic, Financial, Operational and Compliances. Business Managers identify those risks which are likely to prevent Apollo in achieving its objectives.

4.2 Risk Identification

Comprehensive risk identification using a well-structured systematic process is critical, because a potential risk not identified is excluded from further analysis. Identification should include all risks whether or not they are under the control of the Company. Risks can be identified in a number of ways, viz:

- Structured workshops;
- Brainstorming sessions;
- Occurrence of a loss event;
- Review of documents.

Each Risk Owner must periodically review the risks within their risk category. This review should include identification for all significant functional areas. Workshops or brainstorming sessions may be conducted amongst the focus groups to identify new risks that may have emerged over a period of time. Any loss event may also trigger risk identification.

All identified risks must be updated in a risk register. The respective risk owners are to ensure pertinence of the risks listed and must review risk registers periodically. Risks that would have ceased should also be closed appropriately. The CRO's must ensure that the risk registers are reviewed and updated periodically.

4.3 Risk Assessment

The risks will be assessed on a two-fold criteria. The two components of risk assessment are:

(a) Negative variance of profitability; and (b) Occurrence of the event happening. This combination provides the inherent risk level (Annexure III).

The magnitude of the aforesaid components and its associated consequences, are assessed in the context of the existing controls. These components may be determined using statistical analysis and calculations. Alternatively, where no past data is available, subjective estimates may be made which reflect an employee's or group's degree of belief that a particular event or outcome will occur.

Over a period of time, an endeavour should be made to assess the risks on a quantitative basis. A standard set of assumptions must be used where financial impact in ₹ terms is calculated. A RMC should review and revise the assumptions based on latest budgets, cost records and financials.

Precise quantification of the ₹ value impact of risks is sometimes impractical, since the ultimate cost would depend on a significant number of variables. Where values can be assigned it is necessary to look at the above effects over a future time period rather than that particular financial year.

4.3.1 Risk Evaluation

The objective of the risk evaluation is to define risk treatment and monitoring strategies for high, medium and low risks to ensure appropriate attention and effective utilization of Company's resources in managing these risks.

4.4 Risk Treatment / Action Plan

Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them. Treatment options may include: -

- Accept Risk: No action is taken, due to a cost / benefit / risk appetite decision;
- Share / Insure Risk: Transferring / sharing a portion of the risk to reduce it;
- Avoid Risk: Stop performing any activity carrying risk;
- Reduce Risk: Treatment to reduce likelihood / impact of risk; and
- Seek Opportunity: To start / continue with an activity likely to create / maintain risk.

The Risk Register contains details of the risk, its contributing factors, risk scores, controls documentation and specific and practical action plans. Action plans need to be time bound and responsibility driven to facilitate future status monitoring. Mitigating practices and controls shall include determining policies; procedures, practices and processes in place that will ensure that existing level of risks are brought down to an acceptable level. In many cases significant risk may still exist after mitigation of the risk level through the risk treatment process. These residual risks will need to be considered appropriately. In case of financial risks this can be accomplished by a combination of:

- Insurance by external agencies; and
- Self-insurance or internal funding.

4.5 Escalation of risks

It is critical to institute an effective system of escalation, which ensures that specific issues are promptly communicated and followed up appropriately. Every employee of the Company has responsibility of identifying and escalating the risks to appropriate levels within the organization. The CRO's will determine whether the risk needs immediate escalation to next level or it can wait till subsequent periodic review.

4.5.1 Risk Reviews

Risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter risk priorities. Few risks remain static. Ongoing review is essential to ensure that the management plans remain relevant. Factors, which may affect the likelihood and impact of an outcome, may change, as may the factors, which affect the suitability or cost of the various treatment options.

A risk review involves re-examination of all risks recorded in the risk register and risk profiles to ensure that the current assessments remain valid. Review also aims at assessing the progress of risk treatment action plans. Risk reviews must form part of agenda for every RMC meeting. The Risk Register must be reviewed, assessed and updated on a quarterly basis.

The secretary of RMC is responsible for ensuring that the Risk Register is reviewed and updated at least quarterly.

5. Reporting

The report prepared by the RMC should be placed before the Board from time to time. The frequency of review and reporting of the RM is given below;

Function	Frequency
Establishment of RM Process	Once
Risk Register & Assessment	As and when risk are identified and assessed, at least once in a quarter
RM Report	Quarterly

6. Amendments to the Charter

The RM Committee may amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

7. Disclaimer Clause

The Management cautions readers that the risks outlined in this Charter are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.