GRASIM INDUSTRIES LIMITED

ENTERPRISE RISK MANAGEMENT POLICY

ENTERPRISE RISK MANAGEMENT (ERM) POLICY

1. Introduction

1.1 Grasim Industries Limited (Grasim) is a flagship company of the Aditya Birla Group. It started as a textiles manufacturer in India in 1947. Today, it is a premium conglomerate having Viscose- Fibre & Yarn, Chemicals, Textiles, Insulators and B2B E-commerce businesses under its fold. Grasim is also foraying in Paints business in a big way. It is also the largest cement producer and diversified financial services (NBFC, Asset Management and Life Insurance) player in India through its subsidiaries UltraTech Cement Ltd and Aditya Birla Capital Ltd. The company also has presence in renewable energy through its subsidiaries Aditya Birla Renewables Ltd. and Aditya Birla Solar Ltd.

1.2 Grasim operates in a dynamic business landscape and given the current business scenario, requires a structured Enterprise Risk Management ('ERM') process that provides confidence to the stakeholders that the Company's risks are known and well managed, allowing the Executive management to focus on Company's growth, strategy and value creation. Grasim recognizes that risks are inherent in business and risk management is important to achieve the goal of value creation for all its stakeholders.

1.3 The Company has designed a comprehensive risk management framework to manage its risks effectively and efficiently, so as to meet its business objectives

2. Purpose

The purpose of this Policy is to:

2.1 Establish a common risk management framework across the Company;

2.2 To strengthen and continually evolve an effective ERM framework across Grasim to achieve sustainable growth ensuring no negative surprises; and

2.3 Set forth procedures to analyze risks within agreed parameters across the Company.

3. **<u>Risk Management Approach</u>**

- **Risk Identification & Assessment**: Process of identification, analysis and prioritisation of risks. An effective risk assessment requires a common risk language and a continuous process for identifying and measuring risks. These elements need to be applied consistently across all key businesses, units and functions within the organization to understand the nature of the prioritized risks and its impact on business objectives, strategies and performance. Risks are rated on the basis of probability and impact on EBITDA/ cash flows, wherever quantifiable.

- **Risk Mitigation**: Risk mitigation involves selecting one or more options for responding to the risks and implementing those options. It includes
  - ✓ Selecting risk mitigation strategy (Avoid/ Reduce/Share/ Accept)
  - ✓ Measuring the effectiveness of mitigation plan developed.
  - ✓ Setting up of Internal control systems / processes to ensure adequate controls of identified risks
  - ✓ Ensuring Business Continuity plan is in place and is implementable effectively

- **Risk Monitoring & Reporting:** Reporting is an integral part of any process and critical from a monitoring perspective. Results of risk mitigation assessment need to be reported to all relevant stakeholders for review, inputs and monitoring.

4. **<u>Risk Profile</u>**

The identification and effective management of risks is critical in achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following categories**:**

- **External Risks:** are risks beyond the control of the organisation. These are risks faced due to external conditions in which the business operates (e.g. Natural disasters, Terrorism etc.)

- **Strategic Risks**: are associated with the primary long-term purpose, objectives and direction of the business. These risks may arise from the actions of other participants in the marketplace and/or the opportunities selected and decisions made by the business.

- **Operational Risks:** are associated with the on-going, day-to-day operation of the business. These include the risks concerned with the business processes employed to meet the objectives.

- **Financial Risks:** are related specifically to the processes, techniques and instruments utilised to manage the finances of the organisation, as well as those processes involved in sustaining effective financial relationships with customers and third parties

- **Sustainability Risks:** Any environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the company

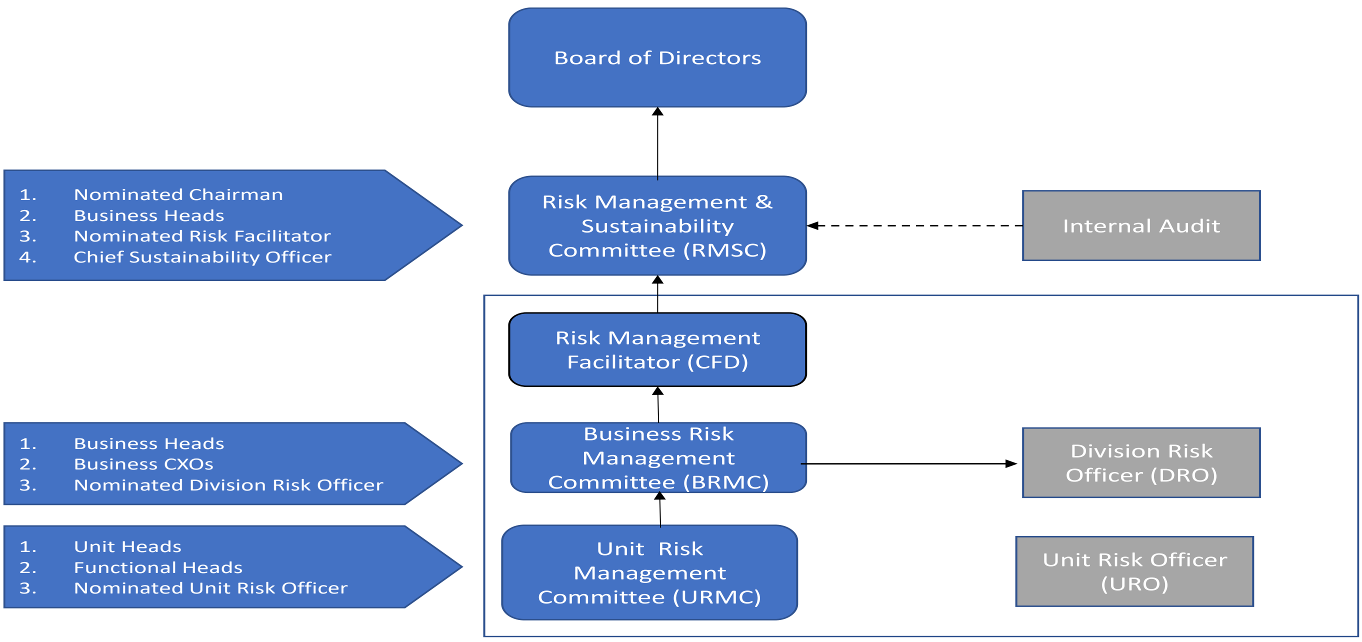
- **Regulatory/ Compliance Risks:** are associated with non-conformance or inability to comply with the applicable rules and regulations

- **Knowledge Risks:** are associated with the management and protection of knowledge and information including Cyber Security

5. Risk Management Framework

5.1 Governance Structure

The Company's Risk Management Framework is supported by the Business Heads/ Senior Management of each Business under the supervision and guidance of Risk Management & Sustainability Committee (RMSC) of the Board.



5.2 Risk Management & Sustainability Committee (RMSC)

5.2.1 The Risk Management & Sustainability Committee is a committee of the Board, with delegated responsibilities in relation to risk management processes within the Company.

5.2.2 RMSC, inter-alia, is required to:

- Formulate a detailed Risk Management Policy & Framework and ensure that appropriate methodology, processes and systems are in place
- Monitor and oversee implementation of risk management policy
- Review the risk management policy atleast once in every 2 years
- Update and appraise the Board of Directors about risk management activities
- Review the appointment, removal and terms of remuneration of the Chief Risk Officer, if any
- Review key risks and mitigation plans presented by the Business teams/ management and provide guidance for effective risk management

5.3 Responsibilities of Management

5.3.1 Ensuring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

5.3.2 To appraise Risk Management & Sustainability Committee of the Board on the key risks identified and implement the directions given by them.

5.3.3 To appoint Division Risk Officer and / or Unit Risk Officer to monitor and implement all Risk Management related activities.

5.4 Business Risk Management Committee (BRMC)

5.4.1 Business Heads shall lead the risk management process and to set up a Business level Risk Management Committee that shall assume ownership for an effective risk management framework.

5.4.2 BRMC shall identify risks pertaining to the business, analyze and assess risks, define mitigation plans, monitor implementation of plans and review risk management practices at Units

5.5 Unit Risk Management Committee (URMC)

5.5.1 At Unit level, Unit Head shall lead the risk management process and set up a Unit Level Risk Management Committee to effectively implement risk management framework

5.5.2 To report / appraise BRMC of the risks identified, analyzed, mitigation plans and progress of the same.

5.6 **The Risk Management Facilitator** at Corporate level should closely facilitate BRMC and URMC in effective implementation of risk management policy

5.7 Assurance

5.7.1 There are different levels of assurance in relation to the effectiveness and efficiency of the Risk Management Framework and associated processes and controls.

5.7.2 At first instance, assurance is provided from management through risk committee meetings of the Board, management reports and process. The reports and process will be founded on a sound system of risk management and internal control and the assurance that the system was operating effectively in all material respects to strategic, shareholder, operational and financial risks.

5.7.3 Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit Committee, as well as from the independent testing, review and reporting undertaken by Independent external auditors who provide an audit opinion as required by law.

5.7.4 Internal Auditors of the Company will carry out a review of each unit periodically of the risks identified, its effect on the Company and the steps taken to mitigate those risks.

5.8 Meeting Frequency

Committee	Members	Meeting Frequency
Risk Management & Sustainability Committee of the Board	Members nominated by BOD (Invitees- CFO, Company Secretary, Chief Sustainability Officer and other Executives as required by the Committee)	At least Twice in a Year (gap between 2 meetings should not be more than 180 days)
Business Risk Management Committee	Cross Functional Team (Business CFO, CIO, CMO, CTO, BHR etc.)	At least half-yearly
Unit Risk Management Committee	Unit level Cross Functional team (Unit Head, Function Head-F&C/ HR/ Technical etc.)	At least Quarterly

6. Scope Of Policy

The Risk Management policy shall be applicable to all businesses and all employees of the Company