



RISK MANAGEMENT

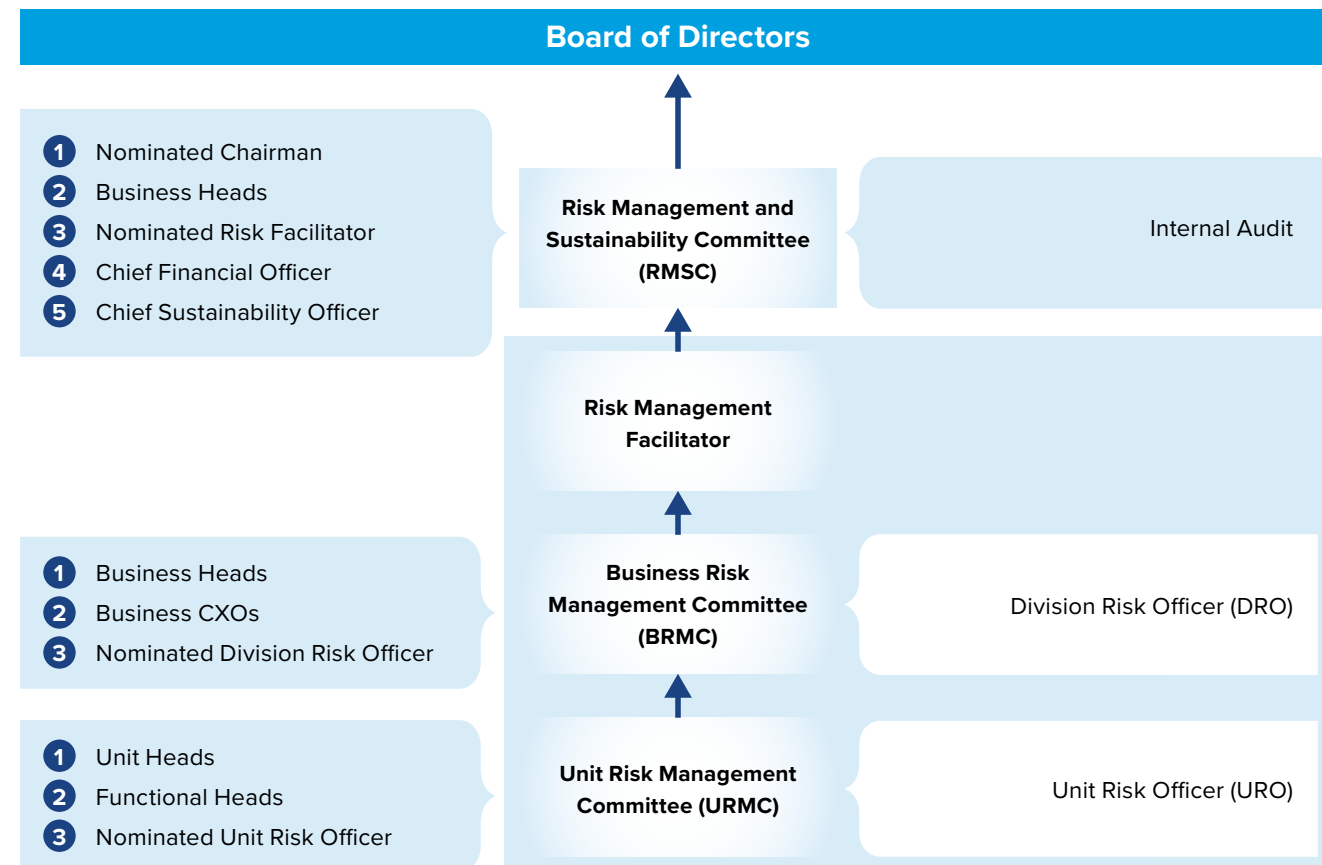
FORTIFYING THE FUTURE WITH FORESIGHT

As a diversified conglomerate with a diverse risk portfolio, we are guided by the principle of being 'Predictive, Proactive and Prepared'. This entails developing an efficient process to manage risks and crisis while ensuring business continuity. We strive to future-proof our businesses, thereby ensuring that our business models, operations, acquisitions and projects are not locked into unsustainable paths.

At Grasim, we aim to maintain a balance between the short-term and long-term business success in financial and strategic processes. We have thus institutionalised a robust Enterprise Risk Management framework to streamline identification, assessment, mitigation and

monitoring of various risks across the organisation. Our Board-level Risk Management and Sustainability Committee (RMSC) is mandated to frame policy, monitor implementation, and review our risk management and sustainability performance.

Risk Governance Structure



We have diligently identified and assessed a spectrum of risks inherent in our operations, encompassing external, strategic, financial, operational, sustainability, knowledge, cybersecurity and compliance risks. We strive to anticipate potential risks and address emerging challenges to maintain operational resilience and protect shareholder value. We have implemented comprehensive mitigation strategies tailored to each risk.

Grasim has a comprehensive risk management process that encompasses the following aspects: risk identification, risk assessment, risk mitigation, residual risk evaluation, and risk monitoring and reporting. The risk management framework, involves several key steps: identifying and categorising risks through stakeholder assessments, evaluating risks based on their likelihood and impact, and defining acceptable risk levels aligned with the Company's capacity and strategic objectives. This process is a collaborative

effort among the risk management team, functional heads, senior executives, and the Board of Directors.

In assessing Company-specific risk exposure, risks have been identified and their criticality is measured, based on their likelihood and impact. The analyses helps us prepare for and mitigate the effects of these risks, ensuring stability and resilience in uncertain conditions.

An independent audit of the risk management process is conducted periodically by internal auditors. Regular risk management training is provided to all Non-executive Directors each year. Further, focused training sessions on risk management principles are organised throughout the organisation. Risk criteria, including financial, regulatory, and operational risks, are incorporated into the development of products and services. Financial incentives are given to individuals with KPIs linked to these risk categories.

Key Risks Identified and their Mitigation Plans

	Mitigation Plan
STRATEGIC RISKS Increased imports may affect demand and prices, impacting margins	Cellulosic Fibre <ul style="list-style-type: none">Explore new markets and improving penetration in existing marketsCreate demand through Consumer and Trade Education; increase awareness through branding and communicationExpand specialty products portfolioContinuously focus on R&D for application and new product development Chemicals <ul style="list-style-type: none">Increase customer base and retaining market share through a customer-centricity approachSeek safeguard through industry associations
Increased competition may result in loss of market share and impact margins	<ul style="list-style-type: none">Expand capacity to meet growing demand and maintaining market shareTake strategic initiatives and making continuous investments to enhance the brand equity of the products by focusing on R&D, quality, cost, timely delivery and customer serviceIncrease level of customer engagementImplement customer connect initiatives to reach out to end usersDevelop various customised products for customersEnter into long-term contracts to secure sales volume



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STRATEGIC RISKS

Performance of new businesses may deviate from the plans

Mitigation Plan

- Business strategy formulated and reviewed at different levels
- Competent business teams in place and required support provided for successful implementation of the plans
- Intense market research carried out in the new lines of business and considered in plans. Invested in R&D to develop differentiated products
- Business plans and industry landscape continuously scanned and necessary actions taken
- Leverage supply chain/brand image of Grasim
- Strong parentage to support any exigencies

COMPLIANCE RISKS

Litigation Risk

The Company faces various litigations, legal proceedings, notices and threats, etc. If these have any unfavourable outcome, they may have an adverse impact

- Compliance with all laws, rules and regulations and contractual obligations
- Legal compliance monitoring system has been implemented
- Effective handling of proceedings before relevant authorities and following due legal course of action
- In-house legal experts as well as consultations with external experts
- Undertake compliance audits regularly

EMERGING RISKS

Geopolitical shifts leading to supply chain disruptions

Increasing geopolitical tensions and the rise of preferential policies are reshaping global trade dynamics. Trade wars, sanctions, and political instability in key regions could disrupt supply chains, leading to increased costs, container availability issues and supply shortages

- In the long term, the Company needs to diversify its supplier base and invest in more resilient and flexible supply chain strategies
- To mitigate this risk, the Company is optimising usage of multi modal transportation (rail/road/water), proactively booking space and finalising rates with shipping lines
- The Company may also pass on the higher freight cost to the customers to the extent possible. Additionally, the Company will have to diversify its supply chains by sourcing materials from multiple suppliers across different regions, reducing dependency on any single region

Emerging regulations and policies

The Indian Government and international bodies are increasingly prioritising stringent environmental regulations to combat climate change and promote sustainability. Emerging policies may include tighter restrictions on carbon emissions, mandatory implementation of cleaner technologies, and more rigorous environmental reporting standards.

- To address the emerging risk of stricter environmental regulations, the Company will have to identify and implement green technologies
- The Company will increase the use of renewable sources of energy
- Additionally, diversifying the product portfolio to include more sustainable and environmentally friendly options will help us shift focus to products with lower environmental impacts, ensuring higher compliance with emerging regulations

OPERATIONAL RISKS

Non availability of water may impact business operations of Cellulosic Fibre and Chemical Businesses

Mitigation Plan

- Continuous reduction in freshwater consumption by applying the 3R Principles (reduce, reuse, recycle)
- Implement Zero Liquid Discharge plans across plants
- Create new reservoirs closer to plant locations

Demand supply mismatch of chlorine – lower consumption of chlorine may adversely impact caustic production

- Full capacity utilisation of chlorine derivatives
- Increase existing Chlorine derivatives capacities, new chlorinated products development, increasing pipeline supply, ancillary industry development, etc.

Competent Human Resources availability risk – attrition and non-availability of the required talent may affect the performance of the Company

- Continuous benchmarking of the best HR practices across the industry and carrying out necessary improvements to attract and retain talent
- Regular review, monitoring and engagement on personal development plans for high performers and high potential employees
- Proactively strengthen technical and other functional bench strength by mapping internal/external talent market and accelerated hiring
- Focus on talent development; ring fencing/retaining critical talent through adequate rewards and recognition

High volatility in global prices of inputs and finished products

Cellulosic Fibre

- Explore new sources and improve negotiation including centralised negotiation
- Focus on cost reduction and higher efficiency
- Increase share of value added/specialty products
- Explore new markets and increasing penetration in existing markets

Chemicals

- Optimise sourcing of key raw material (salt) from captive and external parties
- Secure coal linkage and increasing the share of renewable power
- Expand portfolio of value-added products and speciality chemicals
- Focus on cost competitiveness to reduce operational cost

Speciality Chemicals

- Long-term contracts with bulk manufacturers
- Set up ECH project for backward integration

Textile

- Procure imported wool against confirmed customer orders
- Reduce inventory holding to mitigate price fluctuations
- Diversify supplier base



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OPERATIONAL RISKS

Industrial safety, employee health and safety risk

- The Manufacturing businesses employ labour and are exposed to health and injury risk due to machinery breakdown, human negligence, etc.
- The Chemicals business has exposure to risks arising from the producing and handling of hazardous chemicals

Mitigation Plan

- Develop and implement safety standards/SOPs across the Units and Project sites
- Establish processes for training need identification, introduction of 'Life Saving Rules'
- Focus on building safety culture across units covering the entire workforce
- Adequate insurance coverage
- Safety KRA introduced for all line managers
- Safety awareness campaigns/trainings/mock drills conducted; regular internal and external safety audits done
- Virtual reality training module to train drivers on logistics safety initiated
- Conduct transporter safety meeting
- Structural audit to identify weak areas and take necessary actions
- RFID tracking of chlorine cylinders

KNOWLEDGE RISKS

Information Technology/Cyber Security Risk

- There is an inherent risk of errors, bugs, or security vulnerabilities in products and internal systems which may lead to financial loss, disruption or damage to the Company reputation
- There can be deliberate and unauthorised breaches of security to gain access to information systems

- Implement Group-level Information Security policy
- Backup being done as per policy and disaster recovery system is in place
- Regularly upgrade systems with latest security standards. For critical applications, security policies and procedures are updated on a periodic basis and users educated on adherence to the policies so as to eliminate data leakages
- Ensure end user awareness (E-Learning Module and Classroom Programme); conduct phishing campaigns to improve vigilance and user behaviour
- Annual security assessments of IT/OT networks
- Vulnerability assessment and penetration testing to assess security risk of critical IT systems
- Regular patching, anti-virus updates and stringent access controls
- Cyber insurance policy taken to cover financial losses resulting from cyber events and incidents

SUSTAINABILITY RISKS

Environmental and Other Regulatory Risks (including compliance)

- Any default can attract penal provisions and may impact the Company's reputation. Increased activism by society/NGOs could also impact reputation

- Ensure adherence to regulatory norms
- Upgrade technology/equipment on a continuous basis
- Continuous monitoring of regulatory changes to ensure compliance with all applicable statutes and regulations
- Implement various sustainability initiatives such as Zero Liquid Discharge, increasing share of renewable energy, etc.
- Commitments to comply with the sustainability goals and meet international norms
- Community engagement programmes, grievance management procedures, transparency in declaring our policy and performance, and a series of CSR programmes in place to foster strong relations with the community and partner with them for supply of materials and services

SUSTAINABILITY RISKS

Climate change may lead to increase in frequency and severity of natural disasters (droughts, floods, cyclones, etc.)

Mitigation Plan

- Identify and implement green technologies and developing sustainable products, e.g. LivaEco
- Ramp up use of renewable sources of energy
- Commitments to comply with the global environmental and sustainability norms
- Vulnerability study conducted for natural calamities and required protective measures initiated (e.g. raising boundary wall in flood-prone sites)
- Adequate insurance coverage to cover financial loss caused by natural calamities

FINANCIAL RISKS

Investments Impairment Risk

Business performance of subsidiary companies and other investee entities could give rise to impairment charges in the future

- Regular review of investments for corrective actions
- Impairment testing done periodically, and impairment charge taken wherever required

Foreign Exchange Fluctuation risk

- Exhaustive Forex hedging guidelines in place and being followed

Liquidity Risk/ Interest Rate Risk

- Maintain the best credit rating and a strong balance sheet
- Maintain sufficient unutilised credit limits
- Maintain adequate liquidity which can be redeemed as per requirement
- Regular review of cashflows and working capital optimisation
- Explore funding options through a mix of different debt instruments
- Short-term funding through competitive commercial paper issuance
- Funds raised through Rights Issue and Term Loans

Internal Control System

Grasim has a well-established and robust internal control systems in place, commensurate with the nature of its businesses, size, scale, and complexity of its operations. These internal control systems cover all business processes and are operating effectively.

We have a well-laid organisational structure with clearly defined roles and responsibilities. This structure is well-institutionalised and the systems and procedures are periodically reviewed to keep pace with the growing size and complexity of the Company's operations. For various financial and commercial operations, standard operating procedures (SOP) are in place and have been designed to provide reasonable assurance. Compliance with policies and procedures is an integral part of the management review process. In addition to the above, internal audits are undertaken on a continuous basis by reputed internal

audit firms covering all units and business operations periodically to validate the existing controls independently. Internal Auditors directly report to the Audit Committee of the Board. The Audit Committee reviews the Internal audit programme at the beginning of the year to ensure that the coverage of the areas is adequate.

The management regularly reviews the Internal Audit Reports and corrective action is initiated to strengthen the controls and enhance the effectiveness of the existing systems. The Audit Committee reviews key audit observations along with the status of management actions and the progress of implementation of recommendations.

The Audit Committee also reviews the adequacy and effectiveness of internal control systems periodically and provides guidance for further strengthening them.