

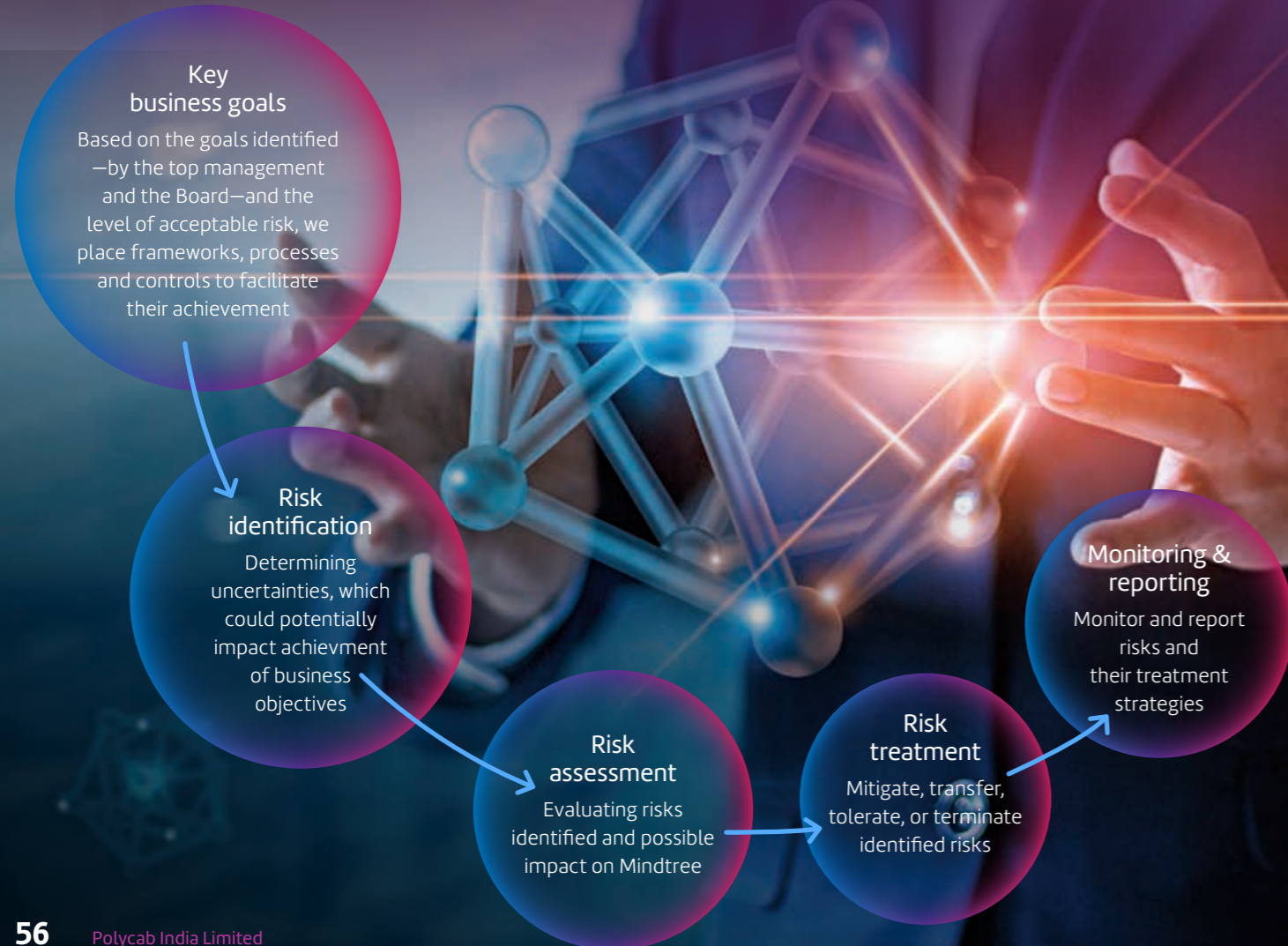
## Risk management

# Future proofing the business

We are responsive to the operating environment and its intrinsic risks and opportunities. Our strategy is to minimise risks to the extent possible and make the best use of emerging opportunities.

We constantly identify, manage and mitigate risks and assess our opportunities to ensure that our business strategy is aligned to the internal and external environment. We have put in place a strong risk management structure that enables meticulous examination of business activities for identification, evaluation and mitigation of potential internal or external risks. We have established processes and guidelines, along with a strong overview and monitoring system at the Board and senior management levels. As an organisation, we encourage ethical values and integrity which considerably mitigate risk.

### Risk management process



## Brief overview of our principal risks and treatment strategies

### Operational risks

#### Distribution network

Risk of inability to grow/sustain distribution network may affect our ability to meet targets – **Material**

##### Mitigation measures

- Project Leap initiatives
- Comprehensive market assessment
- Regular feedbacks collected from dealers by sales coordinators
- Offering competitive ROIs
- Dealer portal application (P connect) launched where dealers can independently book the sales order, view their outstanding status, relevant price list applicable to them, catalogue, balance confirmation etc.

#### Threats to information security

Arising due to unauthorised breach of our information network, causing interruption to normal functioning of the systems – **Material**

##### Mitigation measures

- Robust IT security system
- State-of-the-art IT assets
- Effective software system & servers
- Cloud-based applications

#### COVID-19 disruptions

Risks stemming from the outbreak and the subsequent halt in business continuity – **Critical**

##### Mitigation measures

- 100% compliance with guidelines issued by government authorities
- Business continuity measures operationalised

#### Customer service and after-sales management

Risks related to poor customer service and/or after-sales service, including non-availability of spares (FMEG segment) may affect the brand negatively – **Material**

##### Mitigation measures

- Investment in customer service platform and call centre tool
- Training the customer service teams to ensure prompt grievance redressals and spares availability

#### Supply chain interruptions

Risks related to discontinuation at the end of key suppliers, leading to disruptions in regular production process – **Material**

##### Mitigation measures

- Setting up reliable network of alternative suppliers through effective diversification of supply chain and reducing over-dependence, enabling us to continue smooth functioning of the production process
- Advance supply chain management system, integrated with ERP to minimise stockouts at depots
- Mobile supply chain application to track movement of goods from source till finished goods/scrap

#### Capitals impacted



**Stakeholders impacted**  
Investors, Customers, People, Channel partners

**Risk Movement**  
←

#### Capitals impacted



**Stakeholders impacted**  
Investors, Customers, People, Channel partners

**Risk Movement**  
←

#### Capitals impacted



**Stakeholders impacted**  
Investors, Customers, People, Channel partners, Communities

**Risk Movement**  
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#### Capitals impacted



**Stakeholders impacted**  
Investors, Customers, People, Channel partners

**Risk Movement**  
←

#### Capitals impacted



**Stakeholders impacted**  
Investors, Customers, People, Channel partners

**Risk Movement**  
←

# Risk management

## Operational risks

### Quality assurance threats

Risk related to products/services of sub-standard quality reaching customers – **Material**

#### Mitigation measures

- Robust quality control processes
- NABL-certified, world-class, in-house lab
- International certifications
- Dedicated QA team

### Environment, climate, as well as employee health and safety

Risks related to climate change, including natural calamities, other environmental disruptions and employee health and safety – **Material**

#### Mitigation measures

- Various product and site certifications ensure the highest levels of health and safety, such as
  - ISO 9001:2015
  - UL
  - 14001:2015
  - BASEC
  - OHSAS 45001:2018
  - IEC
- Increased use of renewable energy, better water and waste management

## Strategic Risks

### Geopolitical and social instability

Risks stemming from political and social situations, leading to disturbances within the business environment – **Critical**

#### Mitigation measures

- Geographic diversification of manufacturing, supply chain and market. This ensures that location-specific issues do not bear extensive impact on operations
- Insurance

### Changing customer preferences

Risk of changing customer preferences and existing technologies becoming obsolete – **Material**

#### Mitigation measures

- Market assessments and surveys to understand consumer pulse, corroboration with influencers
- NABL ISO 17025 certified R&D centre with over 100 engineers and technicians employed
- Centre of Excellence for R&D on polymers and other raw materials to stay ahead of the curve

### Succession planning

Inadequacy in succession planning may adversely affect achievement of business targets – **Material**

#### Mitigation measures

- Well-defined and documented policy for all key personnel
- Skill-set assessment and training of middle and senior management

#### Capitals impacted



Stakeholders impacted  
Investors, Customers, People, Channel partners

Risk Movement  
↔

#### Capitals impacted



Stakeholders impacted  
Investors, Customers, People, Channel partners, Environment

Risk Movement  
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#### Capitals impacted



Stakeholders impacted  
Investors, Customers, Channel partners

Risk Movement  
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#### Capitals impacted



Stakeholders impacted  
Investors, Customers, People, Channel partners

Risk Movement  
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#### Capitals impacted



Stakeholders impacted  
Investors, People

Risk Movement  
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## Financial risks

### Foreign exchange rate and commodity price fluctuations

Risk related to fluctuating foreign exchange rates and volatility in pricing of input commodities, including metals such as copper and aluminium – **Material**

#### Mitigation measures

- Risk Management Committee has been established to review compliance with Board approved currency and commodity hedging strategy. The committee also reviews hedging plans and performance
- Documented commodity and foreign exchange risk management policy
- Robust hedging framework which encompasses usage of contracts with embedded derivatives as well as forward contracts to offset commodity fluctuations
- Automatic pricing module integrated with ERP to calculate policy discounts and accurate pricing
- Metal advance pricing module for procurement team to settle pricing issues in a scientific and appropriate manner

## Compliance Risks

### Statutory compliance failures

Risk related to non-compliance with statutory guidelines, including various rules and regulations under different statutes – **Material**

#### Mitigation measures

- Compliance tool and tracker implemented with compliance owner mapped
- Respective departments are given timely alerts to ensure adherence to regulations

### Protection of Intellectual Property Rights (IPRs)

Risk related to breach of IPRs or infringement of copyrights or unfair usage of our IPRs – **Material**

#### Mitigation measures

- Safeguarded brands, trademarks, licences and other IPRs
- Appropriate legal action is undertaken for illegal usage of our IPRs
- External consultant onboarded for market surveys

### Contractual liability

Risk of being liable due to non-fulfilment of contractual obligation – **Material**

#### Mitigation measures

- All contractual obligations closely monitored and fulfilled with due diligence

#### Capitals impacted



Stakeholders impacted  
Investors, Customers, Channel partners

Risk Movement  
↔

#### Capitals impacted



Stakeholders impacted  
Investors

Risk Movement  
←

#### Capitals impacted



Stakeholders impacted  
Investors, People

Risk Movement  
↔

#### Capitals impacted



Stakeholders impacted  
Investors, Customers, People, Channel partners

Risk Movement  
↔



Financial capital



Manufacturing capital



Social and Relationship capital



Human capital



Intellectual capital



Natural capital



Increase



Decrease



Stable