ADITYA BIRLA CAPITAL LIMITED

Risk Management Policy

Date of adoption: 26th June, 2017

First Amendment: 5th February 2019 (effective from 1st April 2019)

Second Amendment : 5th August 2021

1.0 OBJECTIVE

1.1 The Board of Directors of Aditya Birla Capital Limited (the **" Company")** has adopted this Risk Management policy (the, **"Policy")** of the Company in accordance with, and to comply with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **('Listing Regulations').**

1.2 This Policy shall be effective from 26th June, 2017.

1.3 The objective of this policy is to document the Risk Management Framework in Aditya Birla Capital Limited, which will help to govern the risk identification, assessment, measurement and reporting process of the business risks faced by various entities in the Financial Services group. The documents aim to ensure that all material business risks can be identified and managed in a timely and structured manner.

Business managers make decisions every day about which risks to accept and which to avoid leading to Risk Management on daily basis. Framework helps to build a structured process that ensures all material risks are identified and understood by senior management and decides the organization's risk appetite.

The evident benefits of risk management are that it helps manage functions well and plan for robust strategies for risk mitigation. Similarly, with the changing dynamics inthe Industry, risks are becoming more diverse. For interested parties outside the organization monitoring the business performance (Investors, rating agencies, securities analysts, and regulators), risk management is critical agenda item.

1.4 The Risk Management policy (the, "Policy") of the Company is updated in accordance with, and to comply with the notification No. SEBI/LAD-NRO/GN/2021/22 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 dated 5th May, 2021

The revised version of policy shall be effective from the date when it gets approved in the Board Meeting.

2.0 Risk Management Committee:

2.1 The Board of directors have delegated monitoring and reviewing of the risk management policy and plan to the Risk Management committee along with cyber security and Business Continuity Plan.

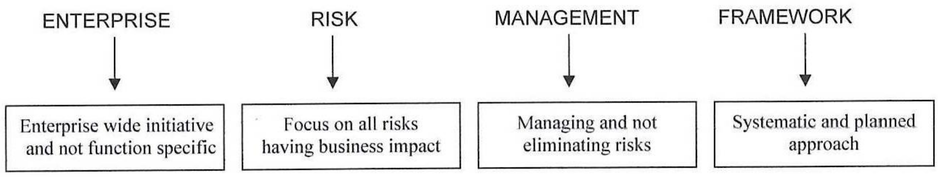
2.2 Roles and Responsibilities of the Risk Management Committee:

1. To formulate a detailed risk management policy which shall include :
   a) A framework for identification of internal and external risks faced by the entity including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
   b) measures for risk mitigation including systems and processes for internal control of identified risks.
   c) Business continuity plan.

2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity ;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall 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 of directors.

3.0 Enterprise Risk Management



Business risk exposure would mean a possibility of deviation from the expected results. The expected result can be business strategy, investment return, expected profitability, a level of cash flow etc.

"As per the Committee of Sponsoring Organizations (COSO) of the Treadway Commission - Enterprise Risk Management (ERM) is a process, effected by senior management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

In other words, "Enterprise risk management is a systematic approach to identify, assess, quantify and build mitigation strategies for every material business risk exposure."

3.1 Objectives of ERM:

The Objective of building an Enterprise Risk Management (ERM) framework is to facilitate business management in:

- **Understand and manage risks and not eliminate risks**

The objective of ERM is to manage risks. In any environment (especially a dynamic business requirement), risks cannot be avoided or eliminated. They can only be managed efficiently and on a timely basis and ERM aims to achieve the same.

- **Aligning risk appetite and strategy**

Business risks cannot be identified and managed in isolation of the risk appetite and the business strategy. Risk appetite is the combined levels of overall business risks that a company is willing to take. In other words, risk appetite is the level of aggregate risks that the company can undertake and successfully manage over an extended period of time. Business strategy is the operating plan that the business has developed for the forthcoming years.

- **Enhancing risk response decisions**

ERM aims to have a consolidated risk database, which facilitates a speedy risk response thussupporting the functions in case the risk manifests.

- **Reducing operational surprises and losses**

An effective ERM framework can assist business management to reduce the operational surprises and losses by framing mitigation strategy for key business risks so that the same canbe implemented in a timely and efficient manner

- **Seizing new business opportunities**

ERM facilitates business management to evaluate new opportunities as a risk mitigation technique. Through ERM, the management can evaluate new business proposal and products. For example, a risk management strategy to diversify business share would be evaluating and carrying research on new products across industry.

- **Improving deployment of capital**

Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

3.2 Benefits of ERM:

ERM can support and assist the business management in:

- **Improved understanding of risks and their true costs to the organization**

ERM will provide an overall database of risks, their associated control cost and clarity on therisk response. By risk measurement and assessment, the true cost of the mitigating or avoiding the risks will be pertinent. ERM also ensures the ability to aggregate business unit risks across an enterprise enabling better understanding of risk across functions and business units.

- **Enhancing Shareholders and Policyholders value**

Shareholders and policyholders expect business value and appreciation out of their investments. ERM helps generate the business value through a management framework governed and assessed by senior management. ERM also helps build investor confidence.

- **A company culture enhanced by a greater awareness of risks**

Senior management drives ERM. Hence the drive on managing business risks and creating a risk culture efficiently is to be generated by senior management. This top down approach helps develop greater awareness of risk.

- **Definition and application of risk appetite**

ERM helps in defining every risk as well as helps in assessing risk appetite of the company. This way all senior management is aware and aligned on the overall risk appetite of the company, which helps them in the risk response decision. This approach helps management with informed decision-making.

- **Efficient allocation of funds and management resources within the company**

ERM, through investment risk management ensures efficient allocation of funds for higher profitability. ERM also provides and objective base for allocating resources.

- **Improving capital efficiency and earning stability**

Risk management improves capital efficiency and costs savings through more effective management of internal resources and capital as well as providing protection against earnings related surprises. Since the risk management framework focuses on avoiding surprises it also improves the stability of the earning.

3.3 Framework Structure:

ERM framework at Aditya Birla Capital is in line with the phased approach proposed by COSO(Committee of Sponsoring Organization), which has provided guidance on developing models on integrated risk management. The four phases are listed as follows:

- Risk identification;
- Risk Assessment;
- Risk Response and Risk Management strategy; and
- Risk monitoring, communication and reporting.

All the phases would be jointly required to be carried on by the Functional heads of various businesses and the risk management teams. The Central team at Aditya Birla Capital and Risk Management Committees of respective businesses would closely monitor the overall process. ERM is not a one-time project but an ongoing practice. All the above phases are to be operative on a continuous basis. Other critical elements such as Risk Review Committee oversight, efficient risk management policies, risk management committee charter etc. also play an important part in the overall ERM framework.

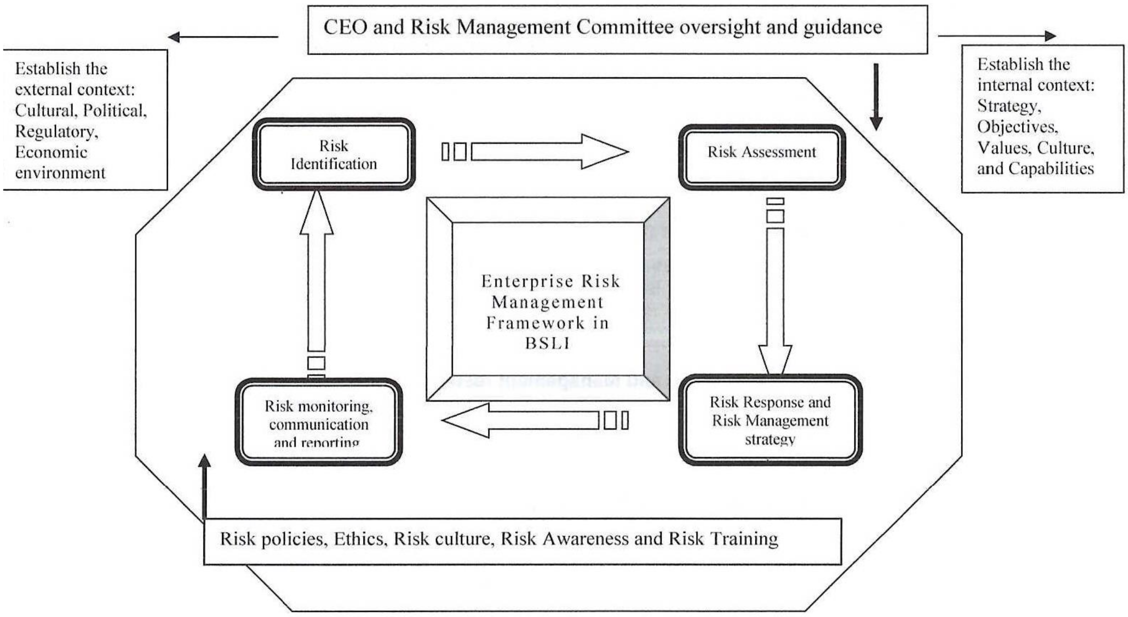
The Cyber Security framework includes the following process to identify, assess, and manage Cyber Security risk associated with processes, information, networks and systems:

- 'Identify' critical IT assets and risks associated with such assets.
- 'Protect' assets by deploying suitable controls, tools and measures.
- 'Detect' incidents, anomalies and attacks through monitoring tools/processes.
- 'Respond' by taking immediate steps after identification of the incident or attack.
  'Recover' from incident through incident management and recovery mechanisms.

Business continuity plan:

- Business Continuity Planning is the ability and readiness to manage business interruptions in order to provide continuity of services at a minimum acceptable level and to safeguard the financial and competitive position in the short and the longer term.
- ABCL shall have a Business Continuity Plan, Crisis Management Plan, Disaster Recovery Plan, and Alternate Site Plan to manage any business interruptions of its facility
- Aditya Birla Capital Limited ('ABCL'), Risk Management/ IS-IT Strategy and Steering Committee actively supports the development and implementation of a comprehensive BCP focusing on the timely recovery of critical business processes and information technology systems.
- ABCL shall have a planned response in the event of any contingency ensuring recovery of critical activities at agreed levels within agreed timeframe thereby complying with various regulatory requirements and minimizing the potential business impact to ABCL.

• 'Recover' from incident through incident management and recovery mechanisms.



4.0 Risk Communication, Reporting and Monitoring:

- Risk communication, reporting and monitoring, is a critical phase in the ERM framework. The framework will end as a project rather than a process if the risks are not monitored, communicated and reported on a constant basis.
- Risk communication helps develop an appropriate risk culture in the organization. The risk monitoring and reporting is used as a management decision support system enabling them to perceive the overall risks of the organization and analyze the progress made on the same
- The monitoring will happen through the risk dashboard and risk metric wherever applicable. Risk dashboard will be prepared and circulated which will include the key metrics for the key risks identified.
- The risk management team may conduct separate evaluations and reviews to ensure effective implementation of the risk monitoring as required.
- Monitoring will also include Tone at the Top though methodologies including Internal Audit, Risk based Policies, Risk Management Committee oversight.

5.0 Roles and responsibilities in an ERM framework:

Everyone in an entity has responsibility towards enterprise risk management.

- The Chief Executive Officers of different businesses are ultimately responsible and would assume ownership for an effective risk management framework.
- The Chief Compliance and Risk Officers, Chief Financial Officers, Chief Operating Officer, Chief Technology Officer and others have key support responsibilities in managing the overall ERM framework by guiding the risk management team in carrying out the ERM framework.

- The Risk management team is responsible to support the management in implementing the overall ERM framework.
- Functional managers support the entity's risk management philosophy, promote compliance with its risk appetite, and manage risks within their spheres of responsibility consistent with risk appetite.
- Other entity personnel are responsible for executing enterprise risk management in accordance with established directives and protocols.
- The Risk Management Committees of different businesses provide important oversight to enterprise risk management and is aware of and concurs with the entity's risk appetite.
- All employees will actively support and contribute to risk management initiatives and maintain an awareness of risks (current and potential) that relate to their area of responsibility

6.0 <u>CIC framework:</u>

The Company is a Core Investment Company ("CIC") and its operations are limited to those of a CIC. The risks therefore largely relate to investments made in its Subsidiaries. The operations of each of the Subsidiaries, the risks faced by them and the risk mitigation tools used to manage them are reviewed periodically by their Risk Management Committees. The same are considered by the Board of the Company, as well.

The Company has well-defined policy level controls in Entity Level Control Matrix (ELC) and process level controls in Risk Control Matrix (RCM) to mitigate significant risks prevalent in the organization. The same is reviewed periodically by Internal Auditors, Statutory Auditors and Risk Management Committee.

The Chief Risk Officer identify the major risks which the CIC is exposed to and present the strategy for the same from time to time in the Risk Management Committee.