ADITYA BIRLA LIFESTYLE BRANDS LIMITED

ENTERPRISE RISK MANAGEMENT POLICY

Contents

1. PURPOSE & INTRODUCTION

In line with the objective of Aditya Birla Lifestyle Brands Limited ("ABLBL") towards increasing stakeholder value, Enterprise Risk Management Policy ("ERM Policy") ("Policy") has been framed, which attempts to identify the key events / risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks.

The ERM Policy is formulated under the requirements of Regulation 21(4) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The Regulation states as under:

To formulate a detailed ERM Policy which shall include:
- a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environment, Social and Governance related risks), information, cyber security risks, legal and regulatory risks or any other risk as may be determined by the Committee;
- Measures for risk mitigation including systems and processes for internal control of identified risks; and
- Business continuity plan.

2. SCOPE

The scope of the ERM Policy covers risks across all levels of the organization, considering the internal and external context of the Company that may further impact the Company's business objectives.

3. APPLICABILITY

This policy is applicable to all employees of ABLBL across corporate, clusters, all sites, and departments. Every ABLBL employee is expected to adhere to the ERM principles defined in the policy for an effective implementation of the ERM framework.

4. RISK MANAGEMENT APPROACH

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.

5. RISK MANAGEMENT & SUSTAINABILITY COMMITTEE (RMSC)

The Board has constituted the "Risk Management & Sustainability Committee" and it is in line with the requirements of the Listing Regulations. This Policy and the Terms of Reference of Risk Management Committee are integral to the functioning of the Risk Management Committee and are to be read together.

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 at least 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.

The Risk Management & Sustainability Committee shall meet at least Twice in a Year (gap between two meetings should not be more than 180 days).

6. ERM POLICY PRINCIPLES:

To establish and implement an effective enterprise wide risk management framework, we shall:

- Define the acceptable nature and amount of risk that the Company is willing to take in pursuit of value while maintaining the optimal balance of risk and reward.
- Deploy and sustain an integrated Risk Management framework across the Company to facilitate effective management of the downside of the risks and harnessing the upside of the risks while achieving the business objectives.
- Encourage risk-enabled performance management by implementing the strategic business planning, performance review and critical investment approval process in an integrated manner with the ERM framework across the Company.
- Continually strengthen the coordination between the risk and other assurance providing functions to manage risks in a collaborative and holistic manner.
- Establish ownership of risk management throughout the Company and develop a robust risk governance mechanism by means of collaborative approach across the Company
- Establish and leverage adequate and efficient channels for continuous communication and reporting of risk information and escalation of critical risks.

- Foster risk aware culture and develop desired skills and competencies in Enterprise Risk Management through continuous ERM trainings, initiatives, and communications.
- Encourage technology-enabled effective and efficient, monitoring and reporting of risk profile information across HIL to provide portfolio view of the risks to the management.
- Strengthen Risk Management systems through continuous improvement and benchmarking with applicable regulatory requirements, leading risk management standards (such as ISO 31000 and COSO) and best industry practices.

7. REVIEW AND AMENDMENTS

In case of any subsequent changes in the provisions of Listing Regulations or any other applicable law which make the provisions in the Policy inconsistent with the Listing Regulations or any other applicable law, the provisions of the Listing Regulations and such law shall prevail over the Policy and the provisions in the Policy shall be modified in due course to make it consistent with the law.

The Policy shall be reviewed once in every two years by the Risk Management & Sustainability Committee. Any changes or modification to the Policy shall be recommended by the Committee and be placed before the Board of Directors for approval.