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Godrej Consumer Products Ltd  
Risk Management Policy

January 2023

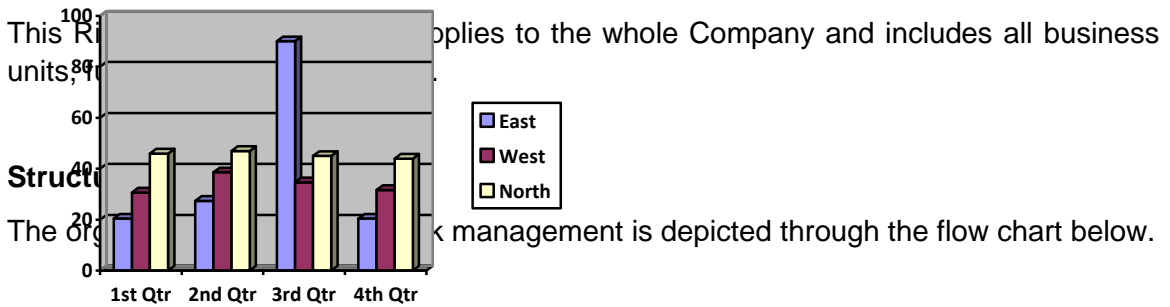
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## Introduction

This Risk Management Policy is intended to ensure that a structured risk management process is implemented within Godrej Consumer Products Ltd (“GCPL”) as per the objectives and principles given in the Risk Management Charter

This risk policy complements the Godrej Corporate Risk Policy and does not replace any provision of the corporate policy. It is also meant to be read along with other guidelines relating to compliance, safety and quality related matters.

## Applicability



## **Executive Risk Management Committee**

### *Membership*

An independent director/(s) will chair the Executive Risk Management Committee (ERMC); the ERMC shall consist of the following members:

- Managing Director & CEO
- Chief Financial Officer
- Head – Mergers & Acquisitions
- Head – Human Resources
- Head – Legal
- Head – Corporate Audit & Assurance (Secretary to the ERMC)

The ERMC may nominate or invite additional members / directors as required to participate in specific meetings on the recommendations of either the Managing Director & CEO or Chief Financial Officer.

### *Periodicity of meeting*

The Executive Risk Management Committee shall meet on a half-yearly basis or more frequently, if required, for urgent matters. Reports of the committee's activities (agendas, decisions) and minutes of meetings (including attendance) should be maintained for each meeting.

### *Deliverables*

At a minimum, the Executive Risk Management Committee will deliver:

- Annual assessment of risks along with business/strategic planning;
- Half-yearly review of risk mitigation status for the Risk That Matter ("RTM") and emerging risks;
- Half yearly reports to the Audit Committee ("AC")

## **Secretary to the Executive Risk Management Committee**

The Secretary to the Executive Risk Management Committee would act as a Chief Risk Officer and oversee the functioning of the risk management process. The secretary would be a member of the ERMC and may designate a coordinator for coordinating the Risk Management process of the company. The Secretary would be responsible to ensure that meetings of the ERMC are held half-yearly or more frequently, if required.

## **Risk Owners**

Risk Owners have been appointed for the RTM's. The Risk Owner should assess, manage, evaluate and monitor the risks and the proposed risk treatment plan. The implementation of the action plan for risk mitigation should be as agreed and any deviations should be discussed with the Head of Function and MD & CEO.

The Risk Owners may be modified over a period of time, depending upon their changing roles and responsibilities within the Company.

## Roles and Responsibilities

Roles	Responsibilities
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Inculcate Risk Management philosophy in the organization.</li> <li>• Support an environment that does not tolerate behavior that might compromise prudent risk management practice.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Authorize Risk Management charter and policy.</li> <li>• Set expectation for risk management.</li> <li>• Provide guidance and instructions for carrying out risk management, monitoring and reporting of results.</li> <li>• Approve and allocate resources for risk mitigation on need basis.</li> <li>• Initiate appropriate action for non-performance of required actions.</li> <li>• Report to the Board as required.</li> </ul>
<b>Executive Risk Management Committee (ERMC)</b>	<ul style="list-style-type: none"> <li>• Spearhead Risk Management initiative within the Company.</li> <li>• Advise Risk Owners on Risk Management procedures.</li> <li>• Review status of actions planned. Review progress and status of mitigation for the “Risk That Matter”.</li> <li>• Set standards for risk documentation and monitoring.</li> <li>• Improves risk management techniques and enhances awareness.</li> <li>• Identify risks to be escalated to the Risk Review Committee.</li> <li>• Commission and oversee projects to define and implement risk identification, assessment and mitigation strategies.</li> </ul>
<b>Secretary to ERMC</b>	<ul style="list-style-type: none"> <li>• Oversee the functioning of the risk management process.</li> <li>• Responsible for ensuring meetings of the ERMC Designate a coordinator for the Risk Management process.</li> <li>• Responsible for ensuring that the required audits, sign – offs have been done.</li> </ul>
<b>Risk Owners</b>	<ul style="list-style-type: none"> <li>• Manage assigned risk. Responsible for managing risk by implementing mitigation plans.</li> <li>• Responsible for preparing risk profile</li> <li>• Review periodic assurance on mitigation plan effectiveness.</li> <li>• Escalate risks to the ERMC on need basis.</li> <li>• Half-yearly reporting to ERMC.</li> </ul>
<b>Corporate Internal Audit</b>	<ul style="list-style-type: none"> <li>• Quality assurance on risk management process.</li> <li>• Scopes audit work based upon significance of risk to the business.</li> <li>• Risk management audits.</li> </ul>

## **Operationalising Risk Management**

### **Annual risk identification and assessment**

GCPL performs an annual risk identification and assessment that coincides with its strategic business planning / annual business planning.

The annual business plan sets a good context to identify and prioritise risks. Once the risks have been prioritized, a risk competency scan is performed to identify existing management strategies to address the Risks That Matter (RTMs). Improvement opportunities to enhance risk mitigation are identified. The sum total of the existing management strategies and improvement opportunities is documented as a formal risk management plan for the RTM. As part of this exercise, the assessment (of prioritized risks and their mitigation strategies) is presented to the Risk Review Committee for its consideration and review.

The risk assessment is coordinated by the Secretary to the ERM. The results of the risk assessment are owned by the respective Function Head.

### **Half-yearly risk refresh / review**

On a half-yearly basis, the risk owner formally reports on risk management within his area of operation at the ERM meetings. The purpose of this reporting is to assess how well the RTMs are being managed and if any additional risk has emerged that can adversely affect business operations.

The risk report includes:

- Performance of the function on managing its RTMs in the light of the mitigation strategies;
- Identification of any additional Risk That Matters that has emerged post the annual risk assessment; and
- Definitions of the mitigation strategy for the new RTM.

The results of this exercise are coordinated by the Secretary to the ERM and are made available for review by the ERM.

The Secretary to the ERM will submit a half-yearly report on risk management for review and appraisal of the ERM. In addition, every 6 months, based on a pre-specified calendar, selectively a risk owner would make a formal presentation to the ERM on its risk management initiatives and status.

## **Half yearly review - Audit Committee**

On a half yearly basis, the ERM (along with such officials as may be directed by the Committee) makes a formal presentation on the Risk Management Activities to the Audit Committee. This shall include:

- An overview of the risk management process in place;
- Summary of the Risks That Matter across the Company; and
- Results of Risk Management
- Discuss new and emerging risks if any

## **Monitoring**

GCPL believes in the integrity of its people and relies on a process of self-assessments for evaluating effectiveness of risk management procedures. All the 'Risk Owners' (including the RTM owners) will self-certify the effectiveness of risk management procedures for the assigned risks 'Twice' a year and the same shall be reported to the Executive Risk Management Committee and Audit Committee

As an additional means of reassurance, the Audit Committee may direct the Corporate Internal audit team to provide an independent report on the efficacy of risk management with respect to the RTM or selective risks.

The Corporate Internal Audit Team is responsible for the following:

- Providing Independent assurance on the efficacy of risk management in terms of:
  - Extent of implementation of mitigation strategies and their efficacy;
  - Effectiveness of risk mitigation.
- Reporting on such matters as may be specifically directed by the Audit Committee

The Corporate Internal Audit Team may consider certain risks in its annual Internal Audit plan & independently report its assessment to the Audit Committee & the Business/Function.

### **Version History**

Initial version	March 2020
Updated version	January 2023