Crompton

RISK MANAGEMENT POLICY

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CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

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1. PRELUDE

Risk’ in literal terms can be defined as the effect of uncertainty on the objectives. Risk ismeasured in terms of consequences and likelihood.

Risks can be internal and external, in particular including financial, operational, sectoral,sustainability (Particularly, ESG related risk), information, cyber security risk or any otherrisk and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as goodmanagement practice, also called as “Risk Management”.

‘Risk Management’ is the identification, assessment, monitoring, implementing and prioritizing risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities.

Risk management also provides a system for the setting of priorities when there are competing demands on limited resources. It aligns strategy, processes, people & culture, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value.

2. DEFINITIONS

- **“CGCEL** or **Company”** means Crompton Greaves Consumer Electricals Limited, a Company incorporated under the Companies Act, 2013 (‘the Act’).

- **“Audit Committee”** means the Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and SEBI LODR.

- **“Board of Directors** or **Board”** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013).

- **“Policy”** means Risk Management Policy, as may be amended from time to time.

- **“SEBI”** means Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

- **“SEBI LODR”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

- **“Risk Assessment”** means the systematic process of identifying and analysing risks. RiskAssessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

- **“Risk Management”** means the systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

- **“Risk Management Process”** means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing,evaluating, treating, monitoring and communicating risk.

3. LEGAL FRAMEWORK

The Act and the SEBI LODR have incorporated various provisions in relation to Risk Management policy, procedure and practices.

- Section 134(3)(n) of the Act requires the Board of Directors ofthe Company, *as part of the Board’s Report*, to furnish a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

- Section 177(4) of the Act states: Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include -
  (vii) Evaluation of internal financial controls and risk management systems.

- SCHEDULE IV of the Act [Section 149(8)] - CODE FOR INDEPENDENT DIRECTORS

  II. Role and functions: The independent directors shall:
  - help in bringing an independent judgment to bear on the Board’s deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
  - satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

As per Regulation 17(9) of the SEBI LODR, 2015, the listed entity shall (a) lay down procedures to inform members of board of directors about risk assessment and minimization procedures. (b) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

4. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guidedecisions on risk related issues.

The specific objectives of this Policy *inter alia* are:

- To identify internal and external risks of the Company including but not limited to financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk;
- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e., to ensure adequate systems for risk management and internal controls of identified risk;
- To ensure that an appropriate methodology, processes and systems are in place to monitor and evaluate risks;
- To establish a framework for the Company's risk management process (both internal and external) and to ensure itsimplementation;
- To enable compliance with appropriate regulations, wherever applicable, through theadoption of best practices;
- To assure business growth with financial stability;
- To formulate the Business continuity plan;
- To address the responsibilities and requirements of the management of the Company asthey fulfill their risk management duties;
- To enable compliance with reference to risk management, wherever applicable, throughthe adoption of best practices;
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To measure risk mitigation including systems and processes for internal control of identified risks;
- To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

5. RISK IDENTIFICATION AND CATEGORIZATION

Risks are about events that, when triggered, cause problems. Hence, risk identification can start with the source of problems, or with the problem itself. This stage involves identification of sources of risk, areas of impacts, events (including changes in circumstances) and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. It is important to identify the risks associated with not pursuing an opportunity. Comprehensive identification is critical, because a risk that is not identified at this stage will not be included in further analysis.

The internal as well as external risks for the Company can be broadly categorized into:

- Strategic risk
- Data security risk
- Fiduciary risk
- Credit risk
- Liquidity risk
- Reputational risk
- Environmental risk
- Competition risk
- Fraud risk
- Technological risk
- Cyber security risk etc.
- IPR risk
- Financial risk
- Operational risk
- Sectoral risk
- ESG risk
- Commodity risk
- Legal Risk
- Human Resource Risk

6. RESPONSIBILITY FOR RISK MANAGEMENT

- Generally, every staff member of the Company is responsible for the effective management of risk including the identification of potential risks.
- Management is responsible for the development of risk mitigation plans and theimplementation of risk reduction strategies.
- Risk management processes should be integrated with other planning processes and management activities.
- regularly monitoring and evaluating the performance of management in managing risk.

- providing management and employees with the necessary tools and resources to identify and manage risks.
- Risk Management Committee shall perform such functions, roles and responsibilities asmay be approved by the Board in the terms of reference of the 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.
- Regularly reporting to the Board on the status on the nature and content of its discussion,recommendation and actions to be taken.
- Ensuring compliance with regulatory requirements and best practices with respect to riskmanagement.

7. COMPLIANCE AND CONTROL

The Risk Management Committee shall be formed with minimum of three members, having majority of the members being the Directors including atleast one Independent Director. The Committee shall have the responsibility for overviewing management's processes and results in identifying, assessing and monitoring risk associated with organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk.

In doing so, the Committee members shall consider and assess the appropriateness andeffectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposedresulting from those reports.

The Committee shall formulate the framework to identify such internal as well as externalrisks as mentioned above and identify measures for risk mitigation as follows:

Risk Identification

The purpose of risk identification is to identify the events that can have an adverse impacton the achievement of the business objectives. All risks identified are to be documented in the form of a Risk Register.

Risk Assessment

Risk Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence. Each identified risk is assessed on two factors which determine the risk exposure:

A. Impact if the event occurs
B. Likelihood of event occurrence

Risk Categories: It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments, each of the Risks can be categorized as - Low, Medium and High.

Risk Prioritization

After the risk assessment is completed, it is the responsibility of the Risk Management Committee to prioritize the key risks to determine which risk are considered critical and need to be addressed on a priority basis.

All risks that fall in the red zone are considered high risk and require immediate attentionin terms of Risk Management. The findings of risk prioritization are presented to the Boardof Directors of the Company.

Risk Mitigation

The following framework shall be used for implementation of Risk Mitigation:

Once the top or critical risks are prioritized, appropriate risk mitigation and managementefforts to effectively manage these risks are identified.

Risk mitigation strategy usually involves identifying a range of options for treating risk, assessing those options, preparing and implementing risk treatment plans. The risk mitigation strategies may include managing the risk through implementation of new internal controls, accepting certain risks, taking insurance, and finally avoiding certain activities that result in unacceptable risks.

Risk Monitoring & Reporting

The Risk Management Committee shall monitor the critical risk and enter the details in the risk register and report the same to the Board of Directors of the Company.

In order to ensure that risk management is effective and continues to support organizational performance, processes shall be established to:

- Measure risk management performance against the key risk indicators, which are periodically reviewed for appropriateness
- Periodically measure progress against, and deviation from, the risk management plan
- Periodically review whether the risk management framework, policy and plan are still appropriate, given the organizations' external and internal context
- Report on risk, progress with the risk management plan and how well the risk management policy is being followed

- Periodically review the effectiveness of the risk management framework.
- Structured scientific and analytical tools may be used for this purpose.

8. REVIEW OF RISK MANAGEMENT POLICY

The Risk Management Committee shall be responsible for implementation of the policy and the Committee shall recommend the actions to be taken to the Board. The policy document shall be reviewed and approved by the Board of Directors.

The Risk Management Committee shall review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity and place it before the Audit Committee and the Board for their approval.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

9. EFFECTIVE DATE

This policy was first approved by the Board of Directors on April 7, 2016 and was amended by the Board of Directors on March 27, 2019, further amended on September 22, 2021 and again amended on February 2, 2023 which is effective from February 2, 2023.

10. CONFLICT

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.

11. LIMITATION AND AMENDMENT

The Board of Directors may at their discretion and on recommendation of the Audit Committee, make any changes/modifications and/or amendments to this Policy from timeto time.

In the event of any conflict between the provisions of this Policy and of the Act or ListingRegulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over and automatically be applicable to this Policy and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the law.

Any subsequent amendment/modification in the Act, SEBI Listing regulations and/or other applicable laws in this regard shall automatically apply to this Policy. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

End of Policy
