

## **RISK MANAGEMENT POLICY**

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## **1) Scope**

This Policy is a formal representation of **Lotte India Corporation Ltd (LICL)** and its commitment to Risk Management and has been approved by the LICL's Board/Committee.

This Policy applies to LICL, its directors, and all its employees and contractors.

Through the remainder of this Policy, LICL's directors, employees and contractors are referred to collectively as "employees".

The Policy is supported by the Risk Management & Assessment Framework which provides guidance with regard to the processes that undermine effective and consistent risk management of LICL.

## **2) Policy Statement**

LICL is committed to ensuring that risk management practices are entrenched into all business processes and operations to drive consistent, effective and accountable action, decision making and management practice.

## **3) Purpose**

LICL is one of the fastest growing Private Sector Enterprises in India, with business interests in the manufacture and sale of various Confectionery Products, apart from nation wide renowned product known as Chocopic and they also manufacture.

LICL's continued growth and success depends on our ability to understand and respond to the challenges of an uncertain and changing world and capability to respond to disruptions to our business. As a large, dispersed and complex organisation, this uncertainty generates risk, with the potential to be a source of both

opportunities and threats. By understanding and managing risk and being well prepared for disruption- related risks, we provide greater certainty and confidence for all our stakeholders.

LICL recognizes that risk is dynamic and is inherent in all external and internal operating environments and is committed to managing all risks effectively. Effective risk management is a means for achieving competitive advantage and is pivotal to enabling the ongoing growth and success of our business.

As our operating environment continues to be transformed, embedding risk management principles and practices into strategy development and day to day business processes is critical to achieving robust and proactive commercial outcomes – a balance between mitigating threats and exploiting opportunity; creating and protecting value.

Just as risk is inherent in our operations, risk management is also inherent in all decision making and management processes. Risk management is essential to good corporate governance and is a fundamental component of good management practice.

Everyone in LICL has a role in managing risk by enhancing opportunities and minimizing threats, so that together we achieve our common goals – growing our business sustainably, enhancing value for customers and shareholders, and contributing to the ecosystem in which we operate, our Business.

#### **4) Elements of Risk Management Policies:-**

The major elements of our Company's risk management policies are mentioned herein below:-

##### ***i) Risk Identification***

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level

and preparing action plans to address and manage the risk.

The Company presently focuses on the following types of material risks:

- technological risks;
- strategic business risks;
- operational risks;
- quality risk;
- competition risk;
- foreign exchange risk;
- realization risk;
- cost risk;
- financial risks;
- *human resource risks; and*
- *legal / regulatory risks.*

**ii) Oversight and management Board of Director**

The Board of Directors (“the Board”) is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committee and Senior Management. The Committee or Management may also refer particular issues to the Board for final consideration and direction.

**iii) Risk Management Committee**

The day to day oversight and management of the Company’s risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

*-managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;*

- setting up internal processes and systems to control the implementation of action plans;
- 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;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management;
- monitoring and reviewing cyber security risks.

## **5) Senior Management**

The Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the Board regarding the status and effectiveness of the risk management program.

## 6) **Review of risk management policy:-**

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood. The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees are responsible for its implementation.

## 7) **Policy principles**

Effective management of risk is vital to the continued growth and success of LICL. For risk management to be effective, all operations must apply the following principles to the context of their particular business and its objectives:

- a) Risk management must create and protect value.
- b) Risk management is integrated into decision-making and organisational processes.
- c) Explicit risk management helps decision-makers make informed choices.
- d) Risk management is focused on the sources of uncertainty which may impact the achievement of objectives.
- e) Risk management is dynamic, iterative and responsive to change.

## 8) **Responsibilities**

Responsibility for risk management is shared across the organisation. Key responsibilities include:

**Risk Ownership and management** – perform and monitor day-to-day risk management activity.

- **Employees** are accountable for actively applying the principles of risk management within their areas of responsibility and fostering a risk-aware

culture.

More specifically, Employees are responsible for:

- Report to their immediate leader or supervisor, any real or perceived risks that become apparent and may significantly affect LICL's:
  - Commercial viability;
  - Profitability;
  - Assets;
  - Business continuity;
  - Customers;
  - Regulatory and/or legal obligations;
  - Reputation; and/or
  - People and/ or their safety.
- Report to their immediate leader or supervisor, any real or perceived risks that LICL's operations may significantly affect the broader:
  - Environment; and/or
  - Community.

## 9) Compliance:-

Practices established and used for the management of risk should demonstrate alignment and consistency with the principles and requirements in this Policy

Compliance with this Policy may be periodically assessed by Business Review.

Each area of the business is accountable for managing risks and must maintain a register of risks relating to material risk exposures.

Risk registers will be based on the outcomes of thorough risk identification and assessment processes and in accordance with the LICL Risk Management & Assessment Framework.

Review of risk registers are to be conducted regularly (dependent on business requirements) and reporting and escalations should occur in

accordance with the LICL's Risk Management & Assessment Framework.

Enterprise risk identification, assessment and profiling will be conducted at least once per year.

#### **10)Related and Supporting Policies**

This Risk Management Policy is supported by, and linked to, specific LICL policies and standards as issued from time to time. These policies and standards include, but are not limited to:

- Risk Management Framework
- Corporate Code of Conduct
- Health, Safety & Environment Policy
- Accounting Policies and Procedures
- Anti-Sexual Harassment – Safe Work Environment Policy
- Whistle Blower Policy

#### **11)Amendment:-**

This policy will be reviewed by the Board of Directors of the Company or by its Committee (as may be authorized by the Board of Directors in this regard) as they deem necessary. Any change in the Policy shall be approved by the Board of Directors of the Company or its Committee. The Board of Directors or its Committee (as may be authorized by the Board of Directors in this regard) shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board of Directors in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder shall automatically apply to this Policy.

#### **12)Review:-**

This Policy will be reviewed every two(2)years or earlier, if required, by a change in circumstances. Changes to this policy shall require Board/committee approval in writing.



**13)Effective Date:-**

This Policy shall be effective from November'2019.

**14)Communication of this Policy:-**

This Policy shall be posted on the website of the Company, i.e.  
[www.lotteindia.com](http://www.lotteindia.com)

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