

RISK MANAGEMENT POLICY

(approved by the Board of Directors in its Meeting held on 28th January 2015)

Section 134(3) of the Companies Act, 2013 ('the Act') requires the Board of Directors of a company, as part of the Board's Report, to give ***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.***

Additionally, Clause 49 of the Listing Agreement with Stock Exchanges, across its different sections, invariably lays greater stress on Risk Management being one of the key functions of Board where responsibility is cast upon the Board to

- review and guide Risk Policy
- ensure that appropriate systems of control are in place, in particular, systems for risk management
- ensure that, while rightly encouraging positive thinking, it does not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk
- have ability to 'step back' to assist executive management by challenging the assumptions underlying risk appetite

We at Havells India Limited understand that controlling risks through a formal program is necessary for the well-being of our organization and everyone in it.

To this end, the Board of Directors of the Company has formed an Enterprises Risk Management Committee to identify the risks impacting the Company's business and formulate and administer policies/ strategies aimed at risk minimization and risk mitigation as part of risk management.

Further, a Core Committee comprising senior management, has also been formed to identify and assess key risks and formulate strategies for mitigation of risks identified in consultation with the process owners.

The risks are broadly categorized into:

Risk Category	Description
Strategic Risks	<ul style="list-style-type: none"> • Market Strategy , Organizational Growth- Market Penetration, Market share, loss of reputation • Globalization and Technological obsolesce • Volatility in Commodity Market • Loss of Intellectual Property and Trade secret • Uncertainty surrounding political leadership in Domestic and International markets • Economic condition of the market, Global recession and Environmental Issues
Operational Risks	<ul style="list-style-type: none"> • Consistent Revenue growth • Cost Optimization • Manpower retention • Disaster Management and Data security • Inefficient working capital management - High Inventory
Compliance Risks	<ul style="list-style-type: none"> • Ensure stricter adherence to laws/ rules/ regulations/ standards • Adherence of company Policies and Procedures (SOPs)
Financial and Reporting Risks	<ul style="list-style-type: none"> • Volatility in Currency, funding & Credit risk • Maintaining high standards of Corporate Governance and public disclosures

In adherence to the present regulatory mandates described hereinabove, the Enterprises Risk Management Committee of the Board of Directors of the Company shall, through the Core Committee, formed for the purpose,

- Ensure an organisation relevant and perpetual Risk Management framework for identifying, assessing, responding to, monitoring or controlling and reporting risks.
- Apply an organized, thorough approach to effectively anticipate and mitigate the probable or realistic risks that could endanger achievement of key objectives.
- Ensure systemic risk evaluation, categorization, and prioritization thereof to assign relative importance to identified risks to determine where appropriate management attention is required.
- Practice the highest level of control measures by installing mechanisms and tools, with involvement of all process-owners across the organization, to ensure that all applicable legal, regulatory, and business requirements are up-to-date and met.
- Develop alternative/ recommended courses of action for critical risks and control the probability of occurrence of the risk, keeping ready contingency plans for selected risks where the consequences of the risks are determined to be high.
- Review the activities, status, and results of the risk management process on a periodic and event-driven basis with appropriate levels of management and resolve issues i.e. gauging potential risk exposure and addressing the same with appropriate corrective action.
- Obtaining, wherever required or desirable, the advice, opinion and assistance from outside legal, accounting, or other advisors, as necessary, to aid informed decision making.