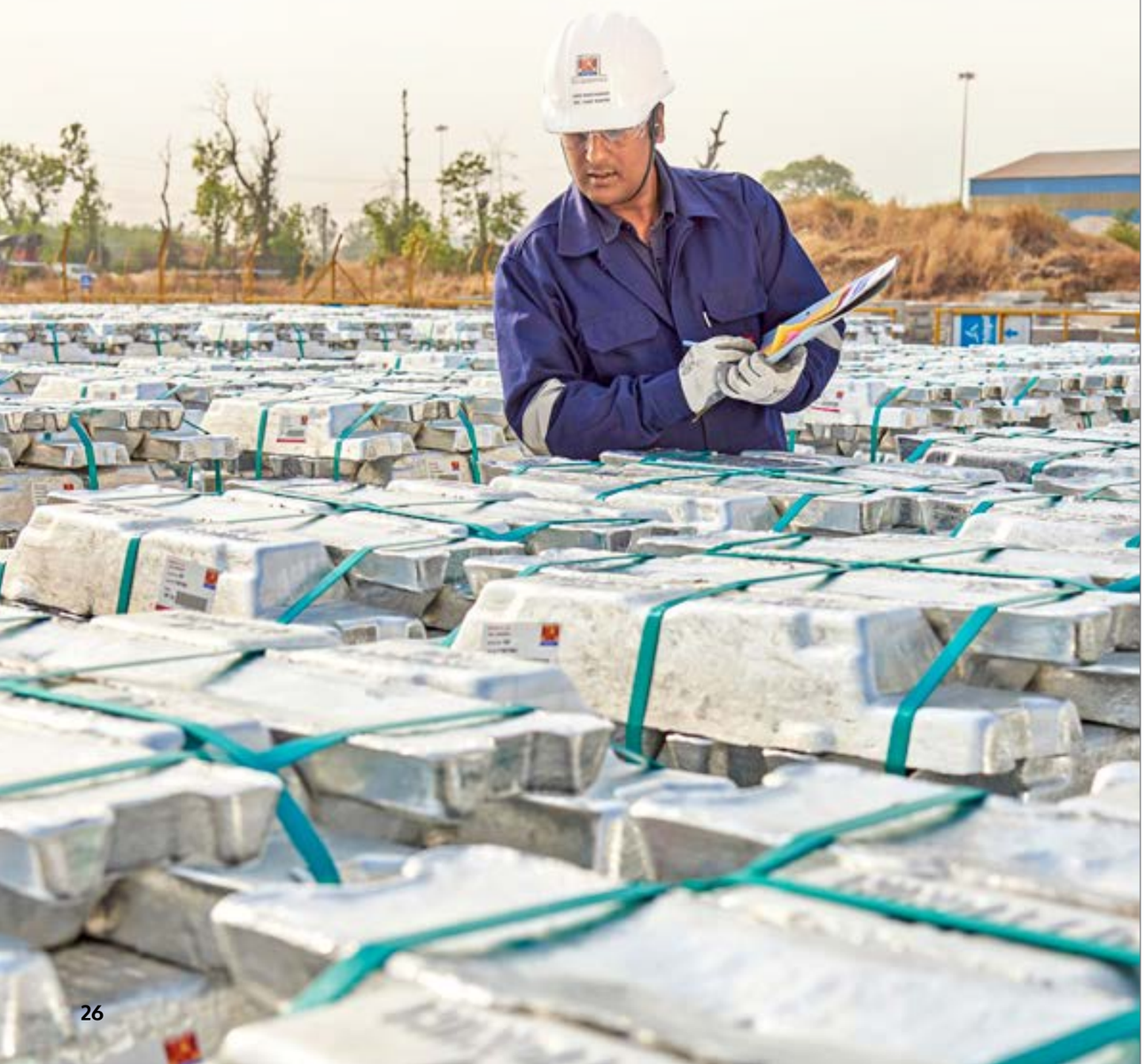
RISKS LANDSCAPE

Being Prepared at All Times

We are driven by the principle of being 'Predictive, Proactive and Prepared'. This entails developing an efficient process to proactively manage risks and crisis situations while ensuring business continuity.

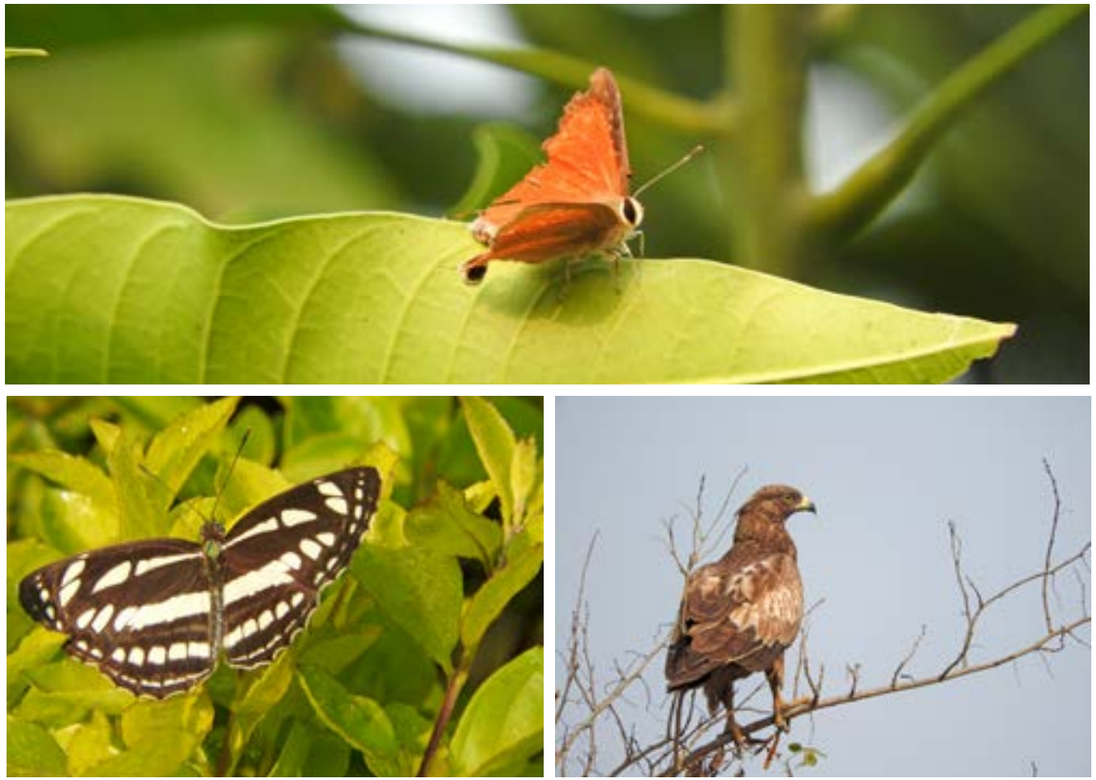


The nature and scale of our operations alongside the interdependencies at various levels call for a flawless risk management system to deal with impact of external environment while ensuring efficient and environment-friendly operations. The year 2020-21 was a testing time of our resilience in crisis management and business continuity management as the COVID-19 pandemic forced the country to go into a lockdown from end of March-May 2020. Despite the challenges, we were able to keep our upstream plants operational during the lockdown and we exported majority of the output.

Our Risk Management Framework is designed to make the organisation more resilient and dynamic. As a player in the end-to-end value chain of metals and mining industry, we encounter a host of risks, driven by price volatility, regulatory changes, availability of natural resources, sustainability, community, global trade and so on.

Risk	Mitigation Plans	Strategic Priorities
R-1 **Price Volatility**	Aluminium, being an integrated business, is susceptible to commodity and currency movement. Copper, being a conversion business, is open to timing mismatch of pricing. The Company runs a robust hedging programme based on its risk appetite.	SP-1 SP-2 SP-3 SP-4 **Focus on value- added products**
R-2 **Regulatory Risk – Change in rules and regulations and compliance with regulatory requirements**	Bauxite and coal are the key inputs for Aluminium production. Both bauxite and coal mining and ownership are controlled by regulations. Frequent changes in rules and regulations are a risk which can affect cost and availability. To mitigate the risk, we actively engage with regulatory authorities on policy advocacy. We are complying with various laws and regulations, including environmental regulations. To mitigate the risk, we have systems in place to drive compliance across the organisation including technology to track any non-compliance.	SP-1 SP-2 SP-3 SP-4 **Strong ESG commitment**
R-3 **Waste Management (including solid waste management)**	Aluminium and Copper production generates solid waste and burning coal in power plant generates ash. To mitigate the risk, we are working with some potential users of the solid waste. The target is zero landfill with waste.	SP-1 SP-2 SP-3 SP-4 **Strong ESG commitment**
R-4 **Increased import of downstream products in Aluminium**	Currently 60% of the Aluminium consumption is imported even with enough domestic capacity. To mitigate the risk, we are actively engaging with the government for necessary policy changes and also with potential customers to reduce imports.	SP-1 SP-2 SP-3 SP-4 **Capital allocation to maximise shareholder returns**

Risk	Mitigation Plans	Strategic Priorities
R-5 **Emissions and climate change**	The Global Risks Report 2021 by the World Economic Forum highlights the likelihood and impact of environmental risks. Our business operations are dependent on the natural resource intake and these operations have certain implications on the environment. Our Risk Management Framework takes into account the identified environmental vulnerabilities related to climate change, water availability, land degradation, land availability and extreme weather events. We have formulated plans to minimise our impact on the environment and mitigate environmental and climate change related risks. We have also undertaken Task Force on Climate-related Disclosures (TCFD) based assessment to identify climate related risks and formulate effective mitigation strategies for the long run. This assessment is expected to be completed by during the year 2021. Further, we have streamlined our processes to minimise our carbon footprint in order to achieve our goal of 'Net Zero Carbon' by 2050. Based on the global target of limiting the temperature to 2DS, as well as a possible change to the National Determined Contributions(NDCs), we have developed an Internal Carbon Pricing (ICP) for all our operations to formulate more stringent policies for our carbon emissions based on 3 scenario analysis which we have developed viz. National Regulatory scenario, Emission Trading Scheme and Science Based Targets.	SP-1 SP-2 SP-3 SP-4 **Strong ESG commitment**
R-6 **Financial leverage**	Aluminium and Copper are capital-intensive industries. Since the operating leverage is high, especially in the upstream business, the target is to keep financial leverage low. We have financial policies in place and expenditures are planned to keep the leverage within the policies.	SP-1 SP-2 SP-3 SP-4 **Strengthening the balance sheet**
R-7 **Water stress mitigation plans**	Two sites have been identified as high-risk as per assessment by IWT and water risk mitigation plans are in place.	SP-1 SP-2 SP-3 SP-4 **Strong ESG commitment**
R-8 **Occupational health and safety mitigation plans**	Coverage of people working at our sites along with their extended families living in our plant colonies, often located in remote areas and safeguarding them from the threat of infectious diseases.	SP-1 SP-2 SP-3 SP-4 **Strong ESG commitment**



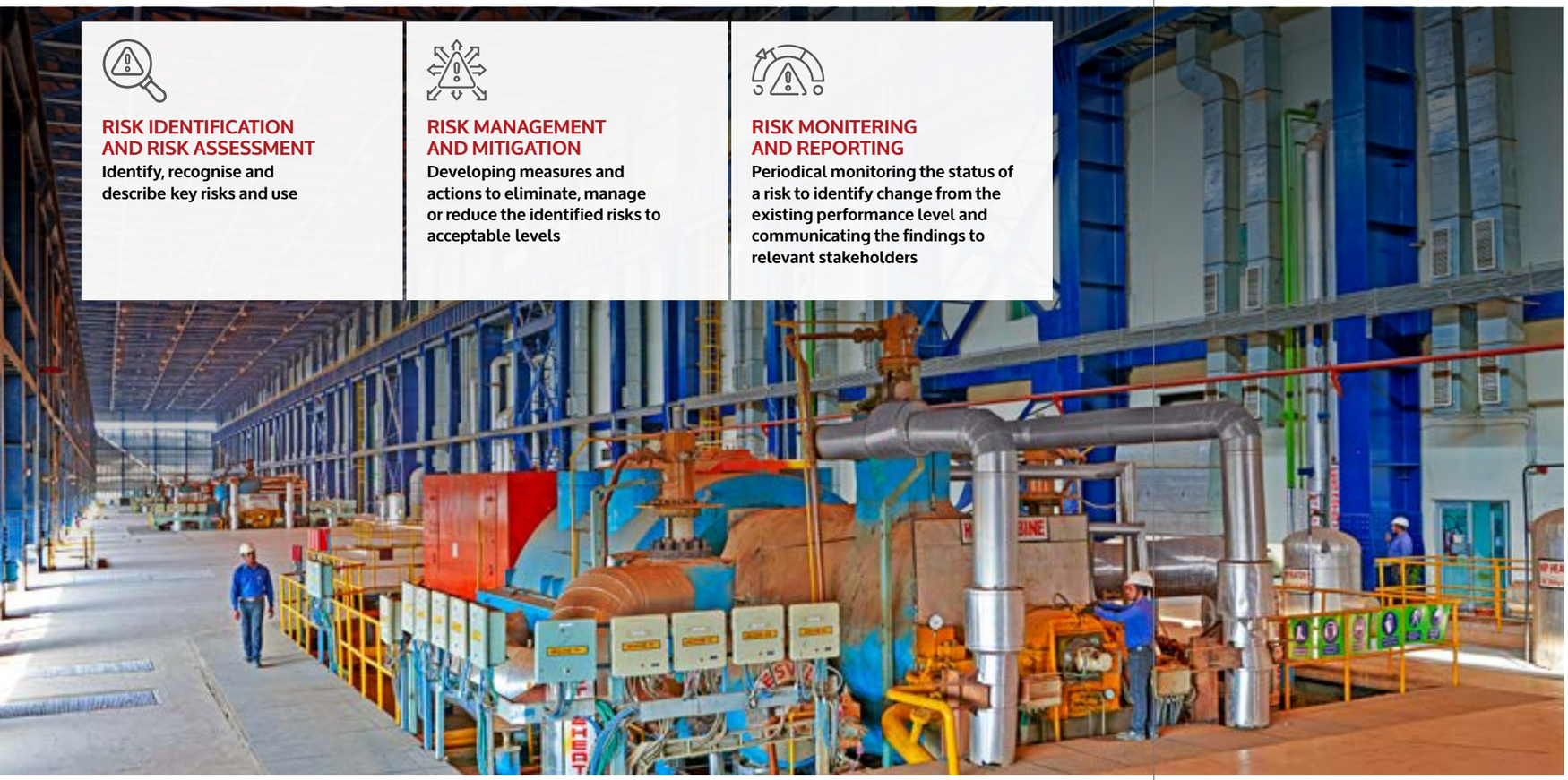
Biodiversity from Hindalco sites at a glance

Mitigating risks on the horizon

In addition to the above mentioned list of risks, we also have identified two important emerging risks – Decarbonisation and Biodiversity loss. These risks can affect our business in the long run. The demand for green Aluminium will increase in the upcoming years as reducing sectoral carbon footprint has been on the rise. Our operations are carbon intensive as it largely depends on power from the grid or from coal fired power plants. Substituting carbon intensive fuels with greener alternatives such as natural gas and renewable energy would take certain timeframe and transformation which in turn would have an impact on revenue generated from primary Aluminium. In our attempt to make our business practices more sustainable, we have committed to becoming net zero by 2050. We have taken several measures such as close monitoring of our energy consumption and GHG emission parameters along with major strategic initiatives at corporate level to upgrade to a low carbon technology across operations.

Biodiversity loss has been identified as one of the top risks per the Global Risk Report 2021 by WEF. Mass degradation of natural habitats has led to a fall of more than two-thirds of wildlife population in the last 50 years. This loss threatens the ecosystem of the environment. With the growing recognition, there have also been various local and global regulatory changes to preserve biodiversity losses. Mismanagement of biodiversity losses has the potential to disrupt the supply chain as well as pose challenges in acquiring legal licenses. Thus, due to our reliance on activities such as mining which are linked to rising regulatory compliances to safeguard biodiversity, mismanagement of this risk can lead to disruptions to our activities and it has the potential to cause reputational, regulatory, and financial risks to the business. In order to combat these issues, we have conducted an IBAT study in association with IUCN, which concluded that 2 manufacturing and 6 mine sites in India are in high risk zones. Details of measures are provided in the Biodiversity section under Natural Capital.

Risk Management Process



Risk Management Framework and Governance

Our Risk Management Framework considers various aspects of our operations such as production, mining, waste management, disposal, and energy generation while focusing on ESG performance parameters like responsible procurement, community initiatives, employee health and safety, and environmental stewardship among others. The framework considers environmental vulnerabilities such as land degradation, climate change, water use, and land use.

The framework enables us to identify both short and long-term risks including emerging risks. Short-term risks include technological, operational and business risks, while long-term risks cover business model risks and strategy and reputational risks. Different types of known risks are covered in the risk registers at the Company level, business level, department level and site level. Furthermore, efforts are made to identify unknown risks as well through scenario planning.

All identified risks are enlisted based on "severity" and "likelihood" of a risk event. The risk reporting tool classifies consequences into incidental, minor, moderate, major and extreme. Likelihood is categorised as rare, unlikely, possible, likely and expected. Risk Heat Map is plotted based on above two classification and subsequently relevant mitigation strategies are established for each risk. This is carried out keeping in view the short-term and long-term impacts of all these risks to the organisation. Our governance and business strategies are framed keeping in view these risks.

We have a robust governance structure that clearly highlights the risk management responsibility at various levels. The governance structure is led by the Risk Management Committee of the Board of Directors, including the Managing Director, and the Committee is responsible for reviewing the organisation's risk management processes. Through the Risk Management Committee, the senior management periodically reviews the Risk Management Framework. Operational risks and challenges are identified by site-level risk teams.

Our Risk Evaluation Framework focusses on understanding the likelihood/possibility of a risk event and the severity of the impact of that risk event. The risk reporting tool classifies consequences into incidental, minor, moderate, major and extreme and categorises likelihood into rare, unlikely, possible, likely and expected. The identified risks are plotted in a matrix based on the aforementioned parameters.

Trainings specific to the ERM process are also provided to the management. This gives non-executive directors an understanding of the risk management framework of Hindalco as well as the ongoing risks and those that can emerge in the future. In addition to this, the risk management function is structurally independent of the business lines.

Sensitivity analysis is done on strategic risks and forex & commodity risks, as well as plant wise operational risks and risks of non-compliance. We also conducted stress testing and sensitivity analysis of the risk of COVID -19 at our respective sites.

At the Company-level risk assessment also includes the life-cycle environmental impacts of our products and external climate change related activities. At the asset level, risk is assessed based both on the potential for future growth and operational risks. We continuously assess the exposure of our facilities to climate change related impacts.

Risk culture, monitoring and reporting

Senior executives are accountable for enterprise risk management for their respective areas of oversight and implementation of risk management ensuring compliance to risk procedure. As a part of the process, the business unit or functional leader is responsible to select a Risk Champion who owns the risk management process at a functional level. We have started conducting refresher course on Risk Management for all employees across all our sites to build a strong culture of risk management across operational aspects.

We are in the process of augmenting our risk management capability by taking measures such as appointing Risk Champions at each site, sharing templates of risk registers with each department and directly approaching the central risk management team. Risk reporting by an employee is being acknowledged by the organisation and is also accounted during the annual appraisal process. There is a formal procedure in place to involve employees to proactively identify and report potential risks throughout the organisation.

Our initiatives allow employees to voice concerns without the fear of retaliation. There exists a continuous feedback mechanism via workshops and via risk champions. This helps to receive feedback from employees on the risk management practices and approach used to spread awareness on risk management.

As part of product development process, criteria around risk management are incorporated during every stage of the process. This includes a detailed exercise to map common and latent risks, assess their impact on project schedule, costs, manpower and resource requirements, to devise measures for risk prevention and mitigation.