



# Building Resilience

In a Volatile, Uncertain, Complex, Ambiguous (VUCA) world, no individual or organisation can predict the 'Unknowns'. But organisations need to prepare for an uncertain and volatile future.

To build this quality of resilience in an organisation, work needs to be done on three fronts:



Resilience = Enterprise Risk Management + Crisis Management + Business Continuity Management

ERM tries to REDUCE the impact of the risk before it materialises; CM takes care of the RESPONSE strategy for people/asset safety in times of a crisis event; BCM ensures continuity of operations and RECOVERY from the loss after the event has subsided.

Organisations need to proactively identify risks from all perspectives and ensure efforts to reduce the risk impact through mitigation practices. At Hindalco, we follow a robust ERM process with a set policy, framework and procedure followed uniformly across all plants and corporate functions. Risk identification exercise happens through multiple channels bottoms-up (from units built up to the enterprise), top-down (from enterprise objectives drilled down to individual plants) and outside-in (from external stakeholders, industry challenges, etc.). A risk register is maintained and reviewed at multiple levels in our organisation (from departments to BOD). The action plan on the top risks is critically reviewed and ownership of the mitigation plan is assigned to respective stakeholder, which is monitored continuously. The risks are bucketed into Strategic, Operational, ESG related and Project based.

Even after implementing a well-functioning ERM process, there will always be unknown events- black swans or grey rhinos, that can impact our operations. In such cases, we need to be seamless in our decision making to

ensure safety of our people and other assets. Therefore, crisis management/ emergency response process are implemented at each unit. The crisis management manual details out all the actions that need to be taken, all the stakeholders that need to be informed, the flow of communication and key personnel involved in decision making. These plans are to be stress tested and reviewed annually for their effectiveness, and if need be, modified as per the situation.

Aluminium smelters are of the nature of continuous operations and run 24x7. Interruptions in operations from any plant can have considerable cascading implications across the whole value chain. To ensure continuity of operations for critical and bottleneck processes, we are building resilience in terms of adopting recovery strategies (mainly looking at make-shift arrangement and alternative options) to keep the process running in times of crisis. BCM exercise is currently in its final phase and the final plans at each plant would be ready by second quarter of FY2022-23.

As a culture, resilience is rooted in the way we work and all the three aspects mentioned above were tested during the COVID-19 pandemic. The pandemic was broken down into two risk categories: risks emerging due to lockdown and risks emerging due to the medical crisis. The COVID-19 situation was assessed based on key indicators from other countries like China, US, Italy, Spain, and UK and consequently mitigation plans included working on financial stress testing, solving supply chain issues, arranging for alternate vendors and customers etc. Being a continuous process industry, it was of critical importance to plan for the same, while keeping the safety and health of our employees as the topmost priority.

We have also integrated Task Force on Climate-related Financial Disclosures (TCFD) recommendations in our daily business operations. As a part of the ERM framework, we have identified climate-related risks and opportunities and we have been taking relevant mitigation actions accordingly. Apex sustainability committee is responsible for identifying and mitigating climate related risks and opportunities, which is further supported by our dedicated sustainability team at plants for effective implementation.

The climate-related risks and opportunities are integrated in our strategy by conducting a detailed scenario analysis to understand the impact of climate change on our organisation. We have already implemented resilience measures to mitigate high risk of climate change and tapped several climate-related opportunities by developing diverse product portfolio. More details about our climate related risks and opportunities can be found in the TCFD report available on our website.

Details about the key enterprise risks and their mitigating actions have been mentioned in the table ahead.

# Building Resilience

Description of Risk	Significance	Mitigating Actions	Capitals Affected	Strategic Priorities
<b>R1</b> <b>Increased focus on Decarbonisation</b>	Increased focus on decarbonisation can affect our operations since coal is one of our primary sources of energy. This increases the carbon footprint of the Company.	Coal being one of the primary sources of energy for the Indian operations. Being a continuous process industry, it is difficult to replace with renewable energy source because of the challenges in reliability and storage. However, we have been investing in solar projects to run other operations and the townships on renewable energy. Currently, we have a total renewable capacity of 100 MW. We are also evaluation other energy option including increasing the usage of bio-mass in power plants. We have also been working on carbon capture as well as energy storage.	Natural Capital	SP-3
<b>R2</b> <b>Supply chain risks</b>	Disruption in supply chain would lead to disruption in operations impacting our profitability and therefore sustainability. We are operating at a global level when it comes to procuring and selling products. A large part of our business depends on international trade.	We believe in building strong long-term relations and hence, we have been engaging with our suppliers and logistics partners by signing long-term contracts. Appropriate procurement levers along with stringent vendor management helps to combat the increasing pricing and single vendor dependence. By hedging base commodity coal, Furnace oil also help in containing price increase.	Social and Relationship Capital Financial Capital Manufactured Capital	SP-3
<b>R3</b> <b>Price volatility of Aluminium</b>	The fluctuations in the price of aluminium in INR terms can have a significant impact on the profitability of our business.	We follow commodity and currency hedging strategy through forward contracts. Our approach involves regular reviews and stress tests to optimise the hedge levels. Price offset hedging is followed in copper business to insulate the business from commodity price and currency fluctuations.	Financial Capital Social and Relationship Capital	SP-2 SP-4

Description of Risk	Significance	Mitigating Actions	Capitals Affected	Strategic Priorities
<b>R4</b> <b>Increased import of Aluminium</b>	The increased import of aluminium including scrap may impact our market share.	We proactively engage with our customers to understand and modify customer value offerings. Our downstream product mix strategy is also built to limit the impact from import threats. At present the Finance Ministry has imposed ADD on some of the aluminium products.	Financial Capital Social and Relationship Capital	SP-2 SP-4
<b>R5</b> <b>Solid Waste Management</b>	At present the Finance Ministry has imposed ADD on some of the aluminium products. Proper disposal of waste from operations is essential for environment protection, safety. Some of the waste are stored in secured area where substantial area of land is required. Land availability is becoming difficult and storage of waste in 'ponds' has its own risk as well. New stringent regulations has to be implemented on time bound basis.	We have set up a yoy target of 5% of recycling and reusing waste generated to reach zero waste to landfill by 2030. Several initiatives such as Bauxite residue backfilling, Bauxite residue in road building, long-term contract setup with cement/road developers are in the pipeline and are being monitored on a regular basis.	Natural Capital	SP-3
<b>R6</b> <b>Depletion of natural resources</b>	Natural resource depletion is a risk faced all over the world. This can eventually impact our immediate environment as well operations. Our business growth depends on coal supply, bauxite, copper concentrate, and water etc. Evolving regulations is one of the major risks that we foresee.	We have planned several initiatives for water recycling and rainwater harvesting at various plants. Our aim is to achieve Zero Liquid Discharge and water positivity across mining and downstream verticals by 2025.	Natural Capital	SP-2 SP-3

# Building Resilience

Description of Risk	Significance	Mitigating Actions	Capitals Affected	Strategic Priorities
<b>R7</b> <b>Shareholders/ Lenders focus on ESG</b>	ESG is being viewed as one of the critical areas in the holistic performance of companies. With increased focus on carbon neutrality, transparent business operations, wellbeing of the people and society and the rapid evolving regulations, it makes it imperative for a company to direct its attention towards these aspects.	We are deeply committed to caring for our environment and the people and are aware of the impacts that we have on them. We have set clear goals with respect to E, S & G impacting our business.	Intellectual Capital Social and Relationship Capital Natural Capital Human Capital Manufactured Capital Financial Capital	<b>SP-2</b> <b>SP-3</b>
<b>R8</b> <b>Product development strategy risks</b>	Evolving customer demands and the market is a risk that may impact our profitability.	We have our innovation centres that focus on regularly developing new products. Our commercial team collaborates with key customers to drive joint development projects.	Intellectual Capital Social and Relationship Capital	<b>SP-2</b> <b>SP-4</b>
<b>R9</b> <b>Changes in the regulatory requirements</b>	Being in mining and metals industry, regulations play an important role in shaping the business. Frequent Regulatory changes give rise to uncertainty in the surrounding environment. Our value chain is highly dependent on the resources available with the government.	We continuously engage with Government agencies and work on policy advocacy at various levels. We also actively participate in industry associations activities. This helps us in proactively engaging with the government and be prepared for any regulatory changes.	Financial Capital	<b>SP-2</b> <b>SP-3</b>
<b>R10</b> <b>Cyber Security &amp; Data Protection risks</b>	Organisations are always prone to cyber security risks that can directly impact our business operations, reputation, and customer base.	Focus on formulation of industry standard policies, frameworks along with adopting best practices such as Information Security, Disaster Recovery & Business Continuity Management, IT Risk Management, etc. helps to strengthen the current systems. Periodic assessment of entire IT systems landscape and governance framework from vulnerability and penetration perspective through reputed expert agencies and addressing the identified observations in a time-bound manner.	Intellectual Capital Social and Relationship Capital	<b>SP-3</b>



Plantation on reclaimed mine at Utkal Alumina

## Emerging Risks

We have identified emerging risks as a part of our risk management framework. These risks are complex, and can have unexpected impacts on earnings and market positioning. Additionally, they have the potential to affect our operations and may require us to review our strategy and business model on a regular basis. The identified emerging risks may become significant in due course and impact us directly or indirectly.

## Biodiversity

Loss to biodiversity is one of the risks that is continuously being stressed upon. Our natural habitats are being exploited leading to endangering of various species of flora and fauna. Some of these activities can have irreversible consequences on our planet. The global risk report 2022 by the World Economic Forum has also identified biodiversity loss as one of the top three risks. Loss of biodiversity can impact our operations

significantly since it can attract stringent regulatory policies that can even lead to disruption in business operations. To deal with these issues, we have developed biodiversity management plans, especially for our mines. We have developed four Biodiversity Management Plans for five sites last year in India. Now, we have another five BMPs spanning 10 sites near completion, that will take the total to fifteen sites with detailed 4-season BMPs. The total sites having BMPs stands at 26 out of the 32 critical sites having exposure to biodiversity impacts. Further, details on our approach towards biodiversity management can be found under the Natural Capital section of this report.

## Climate Action Failure and Climate Breakdown

Climate-related risks are being identified as one of the most severe risks for businesses and economies going forward. The world is already witnessing climate change in the form

of unpredictable natural disasters such as floods, extreme temperature, droughts, among others. Currently, the problems that we are facing are complex and dynamic that require everybody to simultaneously engage and work towards a shared goal. Integrating technology, economy and society to transition to a low-carbon future would require combined efforts from all stakeholders including businesses, policymakers and society at large. Failure in transition within the stipulated timelines, could account for societal and geopolitical conflicts, which can have a significant impact on the world. We have undertaken TCFD based assessment to identify climate-related risks and formulate effective mitigation strategies for the long run. Additionally, we have also streamlined our processes to minimise the carbon footprint and move towards net zero goal.