

# Balancing risks and opportunities

Our business is subject to risks and uncertainties that could have both short-term and long-term implications for the Company. In a rapidly changing business environment with dynamic customer requirements, business risks are constantly evolving. As a result, there is significant variation in emerging risks landscape across businesses. We, at Asian Paints, constantly monitor external environment to identify potential emerging risks and their impact on our business.

Our robust and resilient risk management framework is guided by Risk Management Committee of the Board, involving Independent Directors and Senior Management. The Chairperson is an Independent Director. The Risk Management Committee closely monitors risk management efforts and provides insights for effective risk management across our operations. Composition of the Risk Management Committee, their responsibility and other related details are provided in statutory section of our annual report.

The risk management process of the Company in guidance from the Risk Management Committee is further supported with responsibilities involving formulation of policies, identification of risks and monitoring risk mitigation measures. The Functional Heads are responsible for implementation of risk mitigation measures on an ongoing basis. The management uses the ISO 31000 framework as a guiding tool in its risk management efforts. Our risk management framework is robust enough to ensure accurate identification of emerging risks and is flexible enough to accommodate decentralised risk management practices. The Company evaluates risks that can impact its strategic, operational, compliance and reporting objectives.





Asian Paints has been able to weave through challenging macroeconomic environment due to the resilient portfolio of products which straddles across the pricing pyramid. Our flexible business model allows us to adapt our portfolio and respond quickly to develop new offerings that suit consumers’ changing needs during economic downturns. We actively engage with stakeholders and find pathways to partner with them for long term sustainability and mutual benefit.






## Risk management process









Risk management

Following is summary of key risks the Company addressed in FY 2021-22 along with the key mitigation measures. The Management Discussion and Analysis Section of the Annual Report explains some of the key strategic and business risks and their management by the Company in detail.

Risk Description	Mitigation Strategies	Movement	Capital Impacted
<b>Shifting consumer preferences</b>			
Shifting of consumer preferences towards greener products, wholesome solutions, niche products and a responsible brand	<ul style="list-style-type: none"><li>Greater focus on differentiated and wholesome solutions and services</li><li>Have a healthy new product pipeline offering value for money</li><li>Leverage health and well-being value proposition</li><li>Tie ups to provide consumers a choice among with a wider range of products and price points in the décor segment</li><li>Aggressively target the Home Décor and services space for building long term connect with the consumer</li><li>Identifying unique products and technologies basis patent landscaping, academic research, competitor literature for exploration in new product development</li></ul>	=	
<b>Reputation risk</b>			
Bad publicity arising out of any act/ inaction by the Company on social media or any other platform	<ul style="list-style-type: none"><li>Active monitoring of feedback on social media and addressing concerns in a timely manner</li><li>Actively addressing product complaints and creating a delight for the customers at the end of the complaint addressal</li><li>Ensuring product delivery as promised</li><li>Compliance to all regulatory norms</li><li>Strengthening corporate governance norms, including adherence to the code of conduct by all</li><li>Sign off for all product/warranty promises to the customer</li></ul>	=	
<b>Evolving regulatory landscape</b>			
Changes in existing regulations/ emerging regulations impacting sourcing of materials, emissions, waste generation, storage and use of material or quality of finished goods	<ul style="list-style-type: none"><li>Being the next level in paint industry (ahead of the prevalent statutes) in India through benchmarking with the best in the world with respect to emissions, water consumption and waste generation</li><li>Corporate Quality and Safety (CQS) team continues to monitor all emerging regulations, incidents, developments in the space of EHS and map it for compliance with Asian Paints</li></ul>	↑	
<b>Process and product technology risk</b>			
Technology as a disruptor continues to be a top uncertainty	<ul style="list-style-type: none"><li>Have a robust pipe line of ideas for patenting and implementation</li><li>Regular benchmarking with global players and international patents in paint and related industries</li><li>Identify players for tie ups on areas where there is a technology gap in the product portfolio</li><li>Consciously invest in emerging digital technology and create a first mover advantage with a differentiated offering</li></ul>	=	
Digital economy has disrupted the interface of the customer with the industry			
Product and manufacturing technology continues to provide opportunities to disrupt the offering to the customer with high efficiency and reliability			

Risk Description	Mitigation Strategies	Movement	Capital Impacted
<b>Material availability and inflation</b>			
Disruption across the value chain arising out of unforeseen events leading to unavailability of material and increase in material prices	<ul style="list-style-type: none"><li>Detailed review of current and future global capacity and demand review for critical materials to identify demand supply mismatches during annual planning and 3 years purchase strategy</li><li>Conduct Industry/category dynamics study, speaking with analysts to understand how the overall global capacities are adding up</li><li>Quarterly tracking of raw material and packing material prices</li></ul>	↑	
<b>Counterfeit Products</b>			
Counterfeit and spurious products are a global problem of enormous scale, impacting almost every sector, causing significant losses to the industry and the Government	<ul style="list-style-type: none"><li>Asian Paints has been working with agencies and local authorities across states to identify and target spurious and counterfeit products manufacturers, including label printers by conducting regular raids</li></ul>	↑	
<b>People Risk</b>			
Attrition of key talent impacting succession pipeline	<ul style="list-style-type: none"><li>Identifying and developing the talent pipeline for all individuals at leadership position</li><li>High Engagement score for the Company and each function</li><li>Pegging remuneration and benefits with the industry</li></ul>	↑	
<b>Safety Risk</b>			
Handling hazardous material/ waste in business operations	<ul style="list-style-type: none"><li>Adherence to standards pertaining to OHS, the Company's EHS policy and highest operational standards for handling hazardous materials</li><li>Continuous engagement with suppliers for identifying any new threats / better options to mitigate the risks</li><li>Periodic risk assessments using quantitative risk assessment and closure of action plans arising out of such assessments</li><li>Having a comprehensive Emergency Response Plan (ERP) in place</li><li>Plant design to adhere to inherent safe design based on various applicable standards</li></ul>	=	
The manufacturing operations of the Company require employees to interact with plant, machinery and material handling equipment, all of which carry an inherent risk of injury.	<ul style="list-style-type: none"><li>Adherence to safety standards, the Company's EHS policy and highest operational standards for handling hazardous materials at plants</li><li>Continuous progress in the Behaviour Based Safety journey by all plants</li></ul>	=	


Risk management

Risk Description	Mitigation Strategies	Movement	Capital Impacted
<b>Fraud risk</b> Occurrence of fraud & hesitation to use whistle blower policy	<ul style="list-style-type: none"><li>Awareness sessions to encourage usage of whistle blower policy</li><li>Investigations and disciplinary actions</li><li>Stringent action against erring employees / entities involved</li><li>Strengthening of fraud detection mechanism</li><li>Periodic Fraud Risk Assessments (FRA)</li></ul>	=	 
<b>Statutory compliance risk</b> Non compliance of any statutory rules, regulations and guidelines	<ul style="list-style-type: none"><li>Regular monitoring of compliance with all regulations</li><li>Prompt Corrective and Preventive actions for any deviations noticed</li><li>Regular updation of changes to statutes and taking expert legal opinion in case of any ambiguity</li></ul>	=	 
<b>Information security risk</b> Threats due to external cyber attacks /hacking and internal leakage/ modification of information	<ul style="list-style-type: none"><li>Continuous protection of confidential information across the IT landscape</li><li>Investment in contemporary IT tools to ensure adequate protection of underlying data</li><li>Periodic audits to ensure adherence to the processes</li></ul>	↑	 


**Residual risks:** There are certain remote possibilities of impact of events like earthquake, act of God, adverse macro economic phenomenon going beyond the risk appetite articulated by the company. Despite the best efforts and intentions, these risks would continue to exist and the Company would continue to take steps to reduce the impact of these.

**Emerging risks:** The Management has identified certain other uncertainties like supply chain disruptions due to any political/ geographical issues in any foreign country, market risk related to e-commerce, and intensifying competition risk, amongst others. Preventive steps are being taken wherever necessary to reduce the impact of these uncertainties.


CAPITALS




Financial




Human




Social & Relationship



Manufactured



Intellectual



Natural

MOVEMENT

=

Same

↑

Increase

↓

Decrease

