

Risks and Opportunities

At GCPL, we have a comprehensive and structured approach to risk management. Across our geographies, we have integrated the way we manage risk into the operating framework and reporting channels of our business. Starting with Board-level oversight to a dedicated Risk Committee, a cross-functional team within the business, we routinely assess risks across the company and all geographies.

We have a Risk Management team as part of the Corporate Audit function. The team engages in

Risks

Compliance and regulatory changes and emerging regulations

Opportunities

We have the highest levels of statutory compliance and ensure all regulations and laws of the land are adhered to. Further, our Legal and Audit teams are in constant communication with key government departments and industry bodies to keep track of new and emerging regulations. They routinely assess and analyse regulations to assess how these will impact business and work towards mitigating them.

discussion with various functional heads and relevant team members to identify potential risks, assess the business impact, and rate the likelihood of risk occurrence. The identified risks are presented to the Board. A cross-functional team was also formed at the corporate level to identify potential risks across businesses.

The identified risks will be reported to the Management Committee. All other employees keep sharing potential risks in informal forums, discussions, and annual conferences. We are also looking at creating

a platform through which our employees can share potential risks. Last year, we introduced a mobile app to identify and report potential safety-related risks.

Employees are always encouraged to provide feedback for continuous improvement in risk management practices. There is an annual In Tune survey conducted across the company seeking suggestions and feedback from our employees. We also conduct regular open forums and monthly review meetings to understand the emerging risks and developing mitigation

measures. Valid risks identified are recorded by line managers and are communicated to the Management Committee for further action.

Training sessions on Enterprise Risk Management are organised throughout the year for employees at all levels. Inputs on risk definition, risk identification, risk rating, risk classification, risk prioritisation, risk mitigation, and risk control and review are imparted to participants. Additionally, workshops were conducted across all manufacturing facilities on crisis management during the fiscal year.

Strategic pillar alignment

- Extending leadership in our core categories and geographies
- Making our supply chain best-in-class
- Fostering an inclusive, agile, and high-performance culture
- Building a more inclusive and greener world

Risks and Opportunities

Risks

Supply chain risks related to the following:

- Potential disruption of operations due to geo-medical risks
- Labour-intensive product portfolios in some geographies
- Inadequate planning in procuring raw materials
- Inability to deliver materials to the customer as per agreed delivery dates

Opportunities

Our focus in manufacturing and supply chains is on becoming future ready. We have initiated projects related to Industry 4.0 and are making future-ready investments to ramp up our different processes. We have seen encouraging results in terms of improved productivity, greater accuracy, safety, and efficiency. We continue to introduce best practices across geographies and are trying to become more agile in responding to constantly changing consumer needs.

Core to our approach is how we build win-win relationships with all our partners. We collaborate closely to ensure capability development and alignment with our core values. Our ongoing engagement with partners has helped us identify emerging issues and adequately respond to them in time.

Environmental risks and dependence on natural resources

As a Group, we have always actively championed social and environmental responsibility. As part of our Good & Green vision, we had five environmental sustainability goals to be achieved by fiscal year 2020-21 to reduce our carbon footprint. We have made good progress against these goals and have analysed areas where we need to ramp up our efforts in the future.

Strategic pillar alignment

- Making our supply chain best-in-class

-
- Building a more inclusive and greener world

Risks and Opportunities

Risks

Competitive risks:

- Dependency on a few product categories to drive sales
- Product pricing strategy
- Greater aggression by competitors
- Competitive market conditions and new entrants
- New online, offline, and omni-channel go-to-market models and channels
- Nimble e-commerce/digital-first brands

Opportunities

We have centred our growth strategy around emerging markets and the emergent consuming class in them. As incomes rise, purchasing power improves, and these markets mature; new distribution systems and the digital economy are enabling greater reach. To be able to leverage this, we are ramping up our go-to-market and digital strategies and our reach to go deeper and improve penetration. Our products range across home care, hair care, personal care, household insecticides, hair colour, liquid detergents, soaps and air fresheners, hair extensions, hair care, personal wash, styling in mass and professional markets, skin care, sanitisers, sun care, and female deodorants. We are the leaders in most categories we operate in. We are constantly innovating to create superior quality products at affordable prices.

Political economy in geographies of operation:

- Political instability
- Macroeconomic risks
- Exchange rate volatility
- Devaluation of local currency
- Inflation
- Impact of economic environments on consumer behaviour

Our focus is to build leadership in three categories (home care, hair care, and personal care) and in three emerging geographies (Asia, Africa, and Latin America). Our Risk Committee, along with regional business and finance teams, closely monitors the political economy of each geography to respond and adapt to emerging situations. Our globalisation strategy (called '3 by 3') has been very deliberate. Guided by this, over the past decade, we have created significant value through M&A and established strong beachheads.

Strategic pillar alignment

- Extending leadership in our core categories and geographies
- Accelerating innovation and building purposeful brands
- Leveraging digital
- Enhancing go-to-market

-
- Extending leadership in our core categories and geographies
 - Accelerating innovation and building purposeful brands
 - Leveraging digital
 - Enhancing go-to-market
 - Making our supply chain best-in-class

Risks and Opportunities

Risks

Labour risks due to the following:

- Shortages due to industrial disputes and attrition of key staff
- Health and safety-related risks in manufacturing operations and frontline distribution teams

Social risks arising from the following:

- Community unrest
- Repercussions of natural and man-made disasters

Cyber security: We depend on information systems and technology, including public websites and cloud-based services, for many activities important to our business, including communications within our company and interfacing with customers and consumers. Some of the threats facing our business are as follows:

- Technology protection (for example, data leaks)
- Functional operations (for example, third-party management and data privacy)
- Resiliency (for example, business continuity planning)
- Cyber intelligence (for example, threat awareness)
- Threat vectors include data theft of:
 - Personal information
 - Financial information
 - Identity/credentials
 - Products/Research & Development information

Opportunities

We take much pride in fostering an inspiring workplace with an agile and high-performance culture to attract, develop, and retain the best global talent. We have adopted best-in-class, globally acclaimed people policies and processes, which celebrate diversity and inclusion.

We are now exploring ways to further this commitment through shared value initiatives that create value for both society and business. Our business continuity plans are in place to address any man-made or natural disasters and ensure business as usual.

Mitigation measures comprise performing periodic risk assessment and mitigation, including threat analysis and vulnerability assessments. Our teams control, monitor, and log all access to protected assets. We have defined and enforced secure change control and configuration management processes. We are working towards sharing and training employees in incident-handling and contingency plans. Further mitigation measures include advanced web security, perimeter intrusion prevention, perimeter firewalls, application firewalls, internal firewalls, and advanced server security.

Strategic pillar alignment

- Fostering an inclusive, agile, and high-performance culture
-

- Building a more inclusive and greener world
-

- Accelerating innovation and building purposeful brands
- Leveraging digital

Risks and Opportunities

In addition to the risks identified by the Committee and by our team members, the fiscal year 2019-20 materiality study also pointed out issues which form a critical input to our formal risk criticality matrix.

Top material issues and associated business risks

Opportunities

Sustainable packaging:

Increasing public awareness about environmental concerns has resulted in higher demand for sustainable packaging and processing operations. GCPL is already working to reduce plastic waste by creating thinner and lighter packaging and reducing waste. Some risks associated with sustainable packaging are as follows:

- Sustainable and recyclable materials, such as biodegradable and bioderived plastics, are not in fact widely recycled, but instead collected as general waste. In addition, waste collection and recycling are not co-ordinated centrally, but by local authorities, creating inconsistencies and hindering closed-loop recycling of materials.
- Using recycled and new materials is also, on average, more expensive than using virgin ones.
- Changing packaging material may also require a completely new production line, as well as the need to prove that the quality of the shelf life, product safety, and how it travels/impacts logistics.
- Inadequate planning in procuring raw materials, inability to deliver material to the customer as per agreed delivery dates.

GCPL believes that to develop an optimum sustainable packaging solution for any product, three distinct considerations are required:

- The sustainability footprint of the packaging
- How the packaging performs against the functional and brand requirements of the product
- How commercially acceptable the packaging is to consumers and customers

A few of our mitigation efforts in this regard include the following:

- Reduce packaging weight and/or eliminate plastic peripheries such as single-use bags
- Increase recyclability of packaging material
- Increase recycled content in packaging material
- Identify and support the growth of vendors who can supply recycled plastic
- Work with local governments to streamline waste collection and management to ensure more recycled plastics are available

Research & Development:

Research & Development is critical to the growth and prosperity of our business. The risks associated with this function are as follows:

- Dependency on non-sustainable materials in the supply chain by developing sustainable alternatives
- Urgency to reduce the environmental footprint of GCPL's products by developing sustainable alternatives of products and packaging
- Competitive market conditions
- New local players gain geographic dominance

A two-pronged approach to innovation, including democratisation and creating new vectors of growth:

- Leveraging our cross-functional RIDE structure
- Investments in design, technology, and skills
- Building global partnerships
- Fostering a culture of innovation

The material issues identified ultimately connect to broad risk drivers.

The risk assessment process is aligned to regional and global risks as identified by the World Economic Forum.

These risks, along with the mitigation plan and opportunities, are listed below.

Alignment with strategic pillars

- Building a more inclusive and greener world

-
- Accelerating innovation and building purposeful brands

Risks and Opportunities

Top material issues and associated business risks

Opportunities

Responsible marketing and communication:

Social and responsible marketing practices are becoming the norm of the day, where companies acknowledge the larger social and environmental impacts of their products and services and/or adopt a specific social or environmental stance that resonates with their brand image. Associated risks are as follows:

- Risk of falling behind other brands that are enacting various campaigns on social and environmental issues
- Risk of campaigns or brands being labelled as greenwashing
- Risk of backlash due to a specific social or environmental stance, which is at odds with a community, language, group, or other entity

We adhere to the norms of the Advertising Standards Council of India and those of other local bodies in the international geographies as the basis for all our communications. All our marketing and advertising projects are in line with the expectations of these bodies, i.e. 'legal, decent, honest and truthful' and we ensure that all the claims we make have a scientific basis.

Building inclusive and prosperous communities:

It is generally believed that CSR is a way of managing and reducing risk. However, in addition to its possible benefits, CSR also creates risks.

- Poor implementation in a key geography may lead to loss of the 'licence to operate'
- Insincere or shallow CSR, such as greenwashing, can damage a firm's reputation.
- Government may impose heavier regulation, leading to over-regulation and limitations in programme implementation
- Partnering with NGOs or CSR groups can expose a firm to the mishaps of the CSR partner

- Establish and maintain an ongoing dynamic CSR programme that is in line with the strategic purpose and core processes of the business
- Put in place checks and balances to ensure effective programme implementation and judicious use of resources
- Regular engagement with external stakeholders such as the government and industry bodies to ensure we stay abreast of the law

Alignment with strategic pillars

- Extending leadership in our core categories and geographies
- Accelerating innovation and building purposeful brands

-
- Building a more inclusive and greener world

Risks and Opportunities

Top material issues and associated business risks

Governance and accountability:

GCPL's sustainability governance aims to ensure the company's commitments to its stakeholder groups with regard to its aim to create an inclusive and greener world.

Occupational health and safety:

- Health and safety-related risks in manufacturing operations and frontline distribution teams
- Reducing physical risk to the workforce
- Reducing the risk of unrest due to incidents in both the workforce and the local communities that they are from

Training and skill development:

At GCPL, we believe that learning is a continuous process and happens on the job through a combination of challenging assignments and varying roles. Some risks associated with this aspect are as follows:

- Human resource gaps and attrition which limit growth and penetration of business
- Unskilled team hampering growth of digital technologies in supply chain management
- Opportunity to enhance the skills and motivation of the workforce

Opportunities

It is increasingly important for corporate boards to understand how these issues affect business strategy and performance. Impacts from these issues can be financial as well as material and can spread across multiple areas of a business.

- Stricter regulation on corporate governance by having good internal governance practices in all emerging markets
- Reducing vulnerability of people and processes to broader macroeconomic conditions by having resilient governance practices
- Identify ways of being perceived as a responsible and socially/environmentally focused purpose-driven brand when compared to other leading FMCG brands

We take much pride in fostering an inspiring workplace with an agile and high-performance culture to attract, develop, and retain the best global talent. We have adopted best-in-class, globally acclaimed people policies and processes, which celebrate diversity and inclusion.

- Reducing risk of a higher skills gap in the workforce, which may lead to lower productivity
- Reducing supply chain risk in the context of increasing digitisation and the need for digital skills
- Reducing risk of reduced motivation and engagement in the workforce, which may lead to greater unrest in local communities
- Reducing the competitive risk of falling behind other brands due to skill gaps in the workforce

Alignment with strategic pillars

- Fostering an inclusive, agile, and high-performance culture
- Building a more inclusive and greener world

-
- Fostering an inclusive, agile, and high-performance culture
 - Building a more inclusive and greener world

-
- Fostering an inclusive, agile, and high-performance culture
 - Building a more inclusive and greener world