

Risk Management Policy

Progressive organizations need to take new initiatives, which often come along with certain risks. Additionally, the increasingly dynamic external environment presents risks to the existing business. To navigate through the likely business risks, Hero MotoCorp Ltd. (HMCL or the Company) has formulated a structured risk management process.

The primary objectives of this Risk Management Policy are:

- Identification and categorization of potential risks
- Assessment and mitigation of risks
- To monitor and assure continuous growth and to sustain market leadership in the mobility industry, domestically and globally.

The Risk Management Policy aims to cover, amongst others, the following key areas / risks:

- Technology risks – Hero MotoCorp Ltd. is committed to embracing new technologies to deliver superior products and solutions to its customers and stakeholders. Adoption of new technology or being left behind in the era of evolving technologies is the primary risk that it monitors. IT and digitalization are the key enablers for delivering end-to-end mobility solutions. However, even these are prone to risks associated with disaster preparedness, data security, information privacy, legal compliance, etc. The technology risks should be mitigated by continuous R&D initiatives of the Company, keeping abreast with the global changes, promoting entrepreneurial skills of the personnel and developing either in-house solutions or procuring them.
- Financial risks – The financial risks relate to adequate liquidity for routine operations and availability of funds for greenfield and brownfield expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The financial performance of its subsidiaries, associates and any other affiliates that may adversely affect the Company's results should be closely monitored. The investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.
- Economic environment risks – The ever changing economic policies may impact the strategies and performance of the Company. The mis-match in demand and supply and competitive products may influence the market share of the Company. The Company should keep a close watch on the upcoming new policies and changes in the existing policies and adapt itself timely to the effected norms. HMCL believes in fair competition and tries to maintain a balance in demand and supply of its products.
- Operational risks – Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

- Commodity Risks - Raw material prices, commodity price fluctuation and crude prices are also key business and operational risks. The Company has an exposure of commodity price risk and foreign exchange risk denominated in USD for exports and USD, EUR and JPY in respect of its imports. The Company uses various instruments as approved under the central bank regulations to hedge these exposures. Multiple levers mitigate these risks, and the selection of a lever may depend on the cost-benefit analysis and the extent of exposure. The Company works on an ongoing basis on cost reduction, weight reduction and process improvement exercises. The Company also considers localization of imports/ global sourcing to ensure lowest cost option in sourcing of parts/raw material.
- Regulatory risks – Non-compliance of the applicable laws may result in liabilities and may impact the reputation of the Company. The frequent changes in emission norms require the Company to be prepared and update the products with the applicable standards. The Company has proper systems in place to ensure that there is no non-compliance of any law that is applicable to HMCL. Further, the Company should constantly monitor and comply with the frequent changes in the emission norms and environmental regulations.
- Human Resource risks – Hero MotoCorp Ltd. is sensitive towards the requirements of its employees. The Company should take initiatives to ensure there is a robust plan for succession and retention of key people. Talent in key areas and new businesses should be made available through both external partners and internal employee referral schemes. HMCL should ensure that its people are regularly trained and updated to be able to contribute in the growth of the organisation.

To ensure that the above risks are mitigated, HMCL will strive to:

- involve all functions in the overall risk identification and mitigation exercise;
- have an objective framework to categorize risks and define the level at which it should be addressed;
- link the risk management process to the strategic planning and internal audit process;
- promote a culture of calculated risk taking to identify new initiatives coupled with thoughtful risk mitigation approach;
- formalize a transparent risk information system across the organization with structured templates.

Adequate disclosures pertaining to the risks (including commodity risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

While the ownership for identification of risk and for putting in place risk management measures would be shared by the Business function and the Risk Management function, the responsibility for compliance with the policy lies with the Risk Management Committee, management team of the Risk Management Committee, Functional risk management officers and all the staff.