

1. RISK MANAGEMENT POLICY

1.1 “Risk” is the chance that an event will occur that will impact upon the Company’s objectives. It is measured in terms of consequence and likelihood.

1.2 Sources of risk are varied and a wide view should be taken when considering business risks. Possible risk areas for Nalco include:

- Economic risks, including interest rate and foreign exchange fluctuations, market conditions, and costs of doing business internationally
- Technology risks
- Engineering or operational risks pertaining to the Company’s products and manufacturing processes as well as business process failures
- Liquidity or credit risk, including funding and cash requirements of the Company. Specifically, access to debt and equity resources necessary to operate and expand the Company’s business and compliance with financier’s required covenants (if any)
- Counterparty risk
- Market risk
- Regulation and Compliance risks
- Business continuity risks, including planning for hurricane, fire, terrorism, and other events that require disaster management
- Human resource risks, including succession planning, recruitment, compensation, and retention issues
- Accounting and financial control risk

1.3 Risk Management is identifying those threats to business and creating ways to reduce their impact. The goal of Risk Management is to use knowledge about potential losses and risks to implement steps before unexpected events occur.

1.4 Risk management in Nalco will be a continuous process of analysing and managing all the opportunities, threats and risks faced by the company to achieve its goals and to ensure the company remains a going concern. The basis for risk management is the quality of Nalco’s operations and products, and the continuous, systematic loss-prevention work at all the levels of the Group on the principle that “everybody is responsible”. In the long term this is the only way to reduce the total risk costs. The various business groups will be responsible for managing, mitigating and covering their risks.

1.5 Nalco will use Risk Management capabilities to maximise the value from their assets, projects and other business opportunities and to assist in encouraging enterprise and innovation. Risk understanding and Nalco's tolerance for risk will be key considerations for decision making. Risk issues will be identified, analysed and ranked in a consistent manner. Common systems and methodologies will be used. Risk management performance will be monitored, reviewed and reported.

1.6 The risk statement of Nalco summarises the Company's philosophy towards risk management

“NALCO as a leading Indian Public Sector Aluminium Company recognises that managing risk is critical for Sustainable Development and is a Choice in the pursuit of business objectives.

And thus, we are committed to the effective and efficient management of all risks to ensure continuity, profitability and business development as delineated in the Company's Vision and Mission.”

1.7 The overarching consideration of this policy is to ensure sustainable business growth with business stability. In this endeavour, it aims to articulate Nalco's risk appetite, risk tolerance levels, the IRM architecture and lay down the role of the Board in the IRM endeavours. Derived from these considerations, the objectives of Nalco's risk management policy are, inter-alia, to ensure the following:

- i) Ensure sustainable business growth with financial stability
- ii) Provide a strategic framework for Nalco's risk management process in alignment with the strategic objectives including the risk management organisation structure
- iii) Ensure that all the material risk exposures of Nalco, both on and off-balance sheet are identified, assessed, quantified, appropriately mitigated and managed
- iv) Ensure Nalco's compliance with appropriate regulations, wherever applicable, through the voluntary adoption of international best practices, as far as may be appropriate to the nature, size and complexity of the operations.