



3M INDIA LIMITED

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Modification History:

RMC Meeting Date	Particulars
Feb 12, 2019	ERM Framework
Aug 13, 2021	Amendment
July 31, 2023	Amendment
Sep 17, 2024	Amendment



Background

In India, listed companies are governed by the Securities and Exchange Board of India (SEBI). Regulation 21 of **SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015(as amended)** provides Risk management framework. In line with Regulation 21 and Section 134 of the new Companies Act, 2013, the company has established robust procedures for defining the company's risk strategy. This strategy includes risk identification, and implementation of measures to reduce the impact of these risks.

Corporate governance, at 3M India Limited (3M India), is not limited to compliance with regulations alone. The company's fundamental values are based on transparency, integrity, governance and mutual respect. These values provide the foundation to our risk management strategies and business objectives. The company's values are:

- Obey the law and the company's Code of Conduct
- Protect the company's interests, assets and information
- Act with uncompromising honesty and integrity
- Keep complete and accurate business records
- Play by the rules, whether working with government, customers or suppliers
- Respect one another and the social and physical environment around the world

A . Overview

3M India Limited, Enterprise Risk Management (ERM) enables the achievement of strategic objectives by identifying, analyzing, assessing, mitigating, monitoring and governing any risk or potential threat to these objectives. While achievement of strategic objectives is the key driver, our values, culture, obligation and commitment to employees, customers, investors, regulatory bodies, partners and the community around us are the foundation on which our ERM framework is developed.

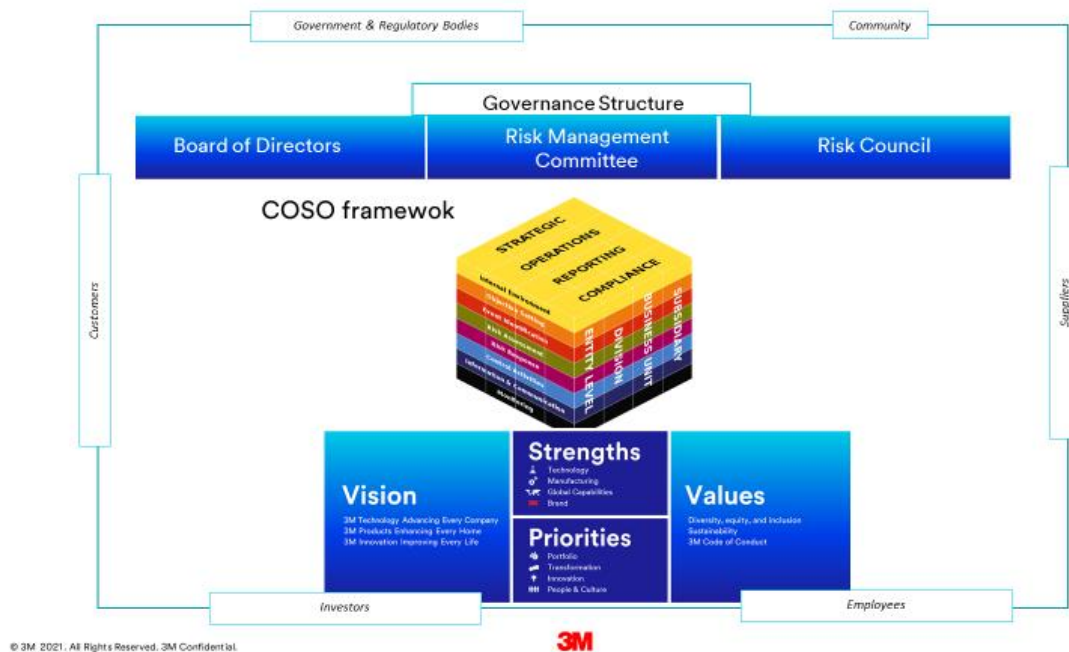
Our ERM framework encompasses all the risks that the organization is facing under different categories such as strategic, operational, legal, reputational and compliance risks. Any of these categories can have internal or external dimensions. Hence, appropriate risk indicators are used to identify these risks proactively, for which risk mitigation plans are made.



B. Key components of 3M India Enterprise Risk Management program Framework

We adopted a new integrated ERM framework that is being implemented across the organization by the Risk Council. The new framework is based on international standards and tailored to suit our business needs

3M India INTEGRATED Enterprise Risk Management Framework



Risk Management Framework Forming Part of Director's Report

The Directors' Report envisaged under sub-section 3 of Section 134 of the Companies Act, 2013, must include a statement indicating development and implementation of a Risk management policy for the company including identification therein the elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. The policy referred to in the aforesaid section shall be this Risk Management Framework.



Policy

Our risk management approach is composed primarily of three components:

- Risk Governance
- Risk Identification
- Risk Assessment and Control

Risk Governance Structure

Risks identified by risk management functions or roles at different levels in the organization are presented at the Risk Council Meeting. Risks are categorised and Mitigation plans are monitored by the Risk council.

Board of Directors

Comprises the Board of Directors

- Evaluates the Strategy and Risks inherent in the Strategy
- Defines the role of the Board and the Risk Management Committee
- Assess risk taking abilities of the Management and performance vis-à-vis short-term and long-term objectives of the Company

Risk Management Committee

Comprises of 3 Independent Directors and Managing Director

1. Laying down a framework for identification of risk elements that are pertinent to achieving the company's strategic objectives
2. Reviewing strategies, policies, procedures, systems and processes in place for identification of risks
3. Assessing the identified risks vis-à-vis their impact and likelihood on the different business divisions
4. Determining the adequacy of existing mitigation factors and laying down policies and procedures for timely implementation
5. Monitor compliance with risk identification and mitigation
6. Setting out the roles and responsibilities of various personnel responsible for the mitigation of risks at different processes

Risk Council

Comprises of Business and Functional Leaders led by a member nominated by the Managing Director.

1. Formulate and deploy risk management policies and procedures
2. Provide half yearly updates to the Risk Management Committee on risks to key business objectives and their mitigation
3. Work closely with mitigation action owners in deploying mitigation measures and monitoring their effectiveness



Risk Identification

External and internal risks are identified in the context of business objectives.

On a periodic basis, external and internal risk factors are assessed by managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews, business meetings. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

Examples of certain of these identified risks are as follows:

1. Broad market trends, Economic Slowdown and other factors beyond the Company's control significantly impacting performance and results
2. Competition
3. Inflation
4. Capacity Utilization and Productivity
5. Product Quality and Safety Standards
6. Supply Chain (Sourcing and Logistics)
7. Employee-Related
8. Physical Security
9. Information Security and Cyber Security
10. Assets and Property
11. Foreign Currency Fluctuations
12. Interest Rate Fluctuations
13. Financial Accounting and Reporting Risks
14. Fraud, Control and Governance
15. Statutory and Other Compliance Requirements
16. ESG Risks

Risk Assessment and Control

This comprises the following

- Risk assessment and reporting
- Risk control
- Capability development

Risk Management Committee Members

Mr. NV Sivakumar
Mr. Bharat Shah
Ms. Radhika Rajan
Mr. Ramesh Ramadurai

Independent Director, Chairperson
Independent Director
Independent Director
Managing Director



Risk Council Members

1	Chief Financial Officer
2	Head – Transportation and Electronics Business
3	Head - Manufacturing
4	Head - Human Resources
5	Senior General Manager - Communications, Security & Corporate Services
6	General Counsel
7	General Manager -Information Technology
8	Company Secretary
9	General Manager – Environment, Health & Safety Regulatory

The Managing Director of 3M India Limited shall co-opt additional functional leaders and reconstitute the Risk Council as needed from time to time.

The terms of reference of the Risk Council are as follows:

- review of strategic risks arising out of adverse business decisions
- review of operational risks;
- review of financial and reporting risks;
- review of compliance risks;
- review of reputational risks, Government policy risks, Business Resilience risks
- review the Company's risk philosophy and the quantum of risk, on a broad level that the Company, as an organization, is willing to accept in pursuit of stakeholder value;
- review key risk indicators and management response thereto.