Risk Management policy

NOVEMBER 2021

1. Introduction

Risk, as defined by ISO 31000:2009 (Risk Management - Principles and Guidelines), "is the effect of uncertainty on objectives". Enterprise Risk Management (ERM) is an integrated approach to proactively managing risks which affect the achievement of vision, mission and objectives of Wockhardt Limited. The Enterprise Risk Management Framework at Wockhardt Limited is aimed at protecting and enhancing stakeholder value by establishing a suitable balance between harnessing opportunities and containing risks.

2. Background

Wockhardt is exposed to various risks from strategic, regulatory, alliance, operational and financial perspectives. The Risk Management Committee (the "RMC") of the Board of Directors (the "Board") is responsible for developing a Enterprise Risk Management framework and function within the organization. The new Policy has incorporated revisions in regulatory requirements and shall come into effect from the date of approval by the Board of Directors.

3. Purpose

The purpose of the Risk Management Policy is to have a documented Risk Management Strategy in place, which provides a framework for proactive identification, management, monitoring and reporting of various risks on a periodic basis. The policy has been prepared pursuant to the following regulatory requirements:

Companies Act 2013 requires that:

- Section 134: The board of directors report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company. Audit Committee needs to evaluate the risk management system.
- Section 177: The audit committee shall act in accordance with the terms of reference specified in writing by the board, which shall, inter alia, include evaluation of risk management systems
- Schedule IV: Independent directors should satisfy themselves that systems of risk management are robust and defensible

Requirement as per Regulation 21 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI (Listed Obligations and disclosure requirements) (Second Amendment) Regulations, 2021 on Notified on 5th May 2021 is as under:

- The Board of Directors shall constitute a Risk Management Committee.
- The majority of members of Risk Management Committee shall consist of members of the Board of Directors.
- The Chairperson of the Risk Management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.
- The Board of Directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.
- The risk management committee shall meet at least twice in a year.
- The Board of Directors would need to include cyber security, BCP and related risks while specifying the role and responsibility of risk management committee.

The revised Terms of Reference of Risk management Committee of the Board of Directors was placed for approval in the Board meeting held on 22nd July 2021

Requirement as per Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

- Sub-regulation 9 (a): The listed entity shall lay down procedures to inform members of Board of Directors about risk assessment and minimization procedures
- Sub-regulation 9 (b): The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

4. Applicability | Review process

The Risk Management Policy is applicable to all subsidiaries of Wockhardt Ltd. The policy will be reviewed on an annual basis. However updates may be made earlier if there are any changes in the risk management regulations | standards or as may be deemed appropriate by the management.

5. Enterprise Risk Management Framework

The Enterprise Risk Management framework (ERM framework) refers to a set of components that provide the foundation for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization. The ERM framework for the organization has been developed keeping in mind the needs of internal and external stakeholders.

In addition, several good practices recommended by the Committee of Sponsoring Organizations (COSO) for ERM have also been incorporated to further the organization's endeavour to build a best in class ERM framework and processes.

Components of an ERM Framework

The ERM framework at Wockhardt consists of the following components/phases:

5.1 Risk Identification:

a. All strategic and key risks impacting the achievement of companys objectives would be identified and reviewed by the Chairman / MD office along with respective Function / Country Heads.
b. In case of operational risks, respective Function Heads are required to identify risks, which are captured in the form of a risk register with all the relevant information such as risk description, root cause and any existing mitigation plans. The Company performs an annual risk identification and assessment that coincides with its strategic business planning | annual business planning.
c. The annual business plan sets a good context to identify and prioritise risks. Once the risks have been prioritized, a detailed assessment of existing management strategies is performed to address all key risks. Improvement opportunities to enhance risk mitigation are identified. The sum total of the existing management strategies and improvement opportunities is documented as a formal risk management plan for the RTM. As part of this exercise, the assessment (of prioritized risks and their mitigation strategies) is presented to the RMC for its consideration and review.

d. The risk assessment is coordinated by the Head – Internal Audit or any other Function Head as delegated by the RMC / ERMC. The results of the risk assessment are owned by the respective department heads.

5.2 Risk Assessment:

a. Risks identified are assessed / rated on likelihood and impact based on the risk appetite defined for Wockhardt. Based on the risk rating, top risks for the organization are prioritized for developing the risk mitigation plan.

b. The RMC will review Risk management process of the Company. This will include:

- An overview of the risk management process in place;
- Summary of the Risks That Matter across the Company; and
- Results of risk management
- Discuss new and emerging risks if any

5.3 Risk Treatment:

a. Mitigation plans are developed by the respective risk owners for the risks owned by them. Well defined action plans are agreed upon with timelines for implementation. The mitigation plans are discussed with the senior management to seek buy-in and approval.

b. Periodically an update is provided to the Risk Management Committee on the risks and the status of mitigation.

c. The results of this exercise are coordinated by the Head – Internal Audit and are made available for review by the RMC as and when required. Head – Internal Audit will submit an update on risk management for review and appraisal of the RMC.

5.4 Risk Monitoring:

a. Management defines the Risk Management roles and responsibilities across the organization as well as institute a periodic process for reviewing risks and their mitigation plans. The status of agreed action plans by risk owners would also be reviewed on a periodic basis.

6. Accountability

Individual Functional heads are responsible for managing risks owned by them. They are responsible to identify and implement defined risk mitigation plans as adopted / agreed by senior management to bring those risks within tolerable limits.

7. Risk Management organization structure

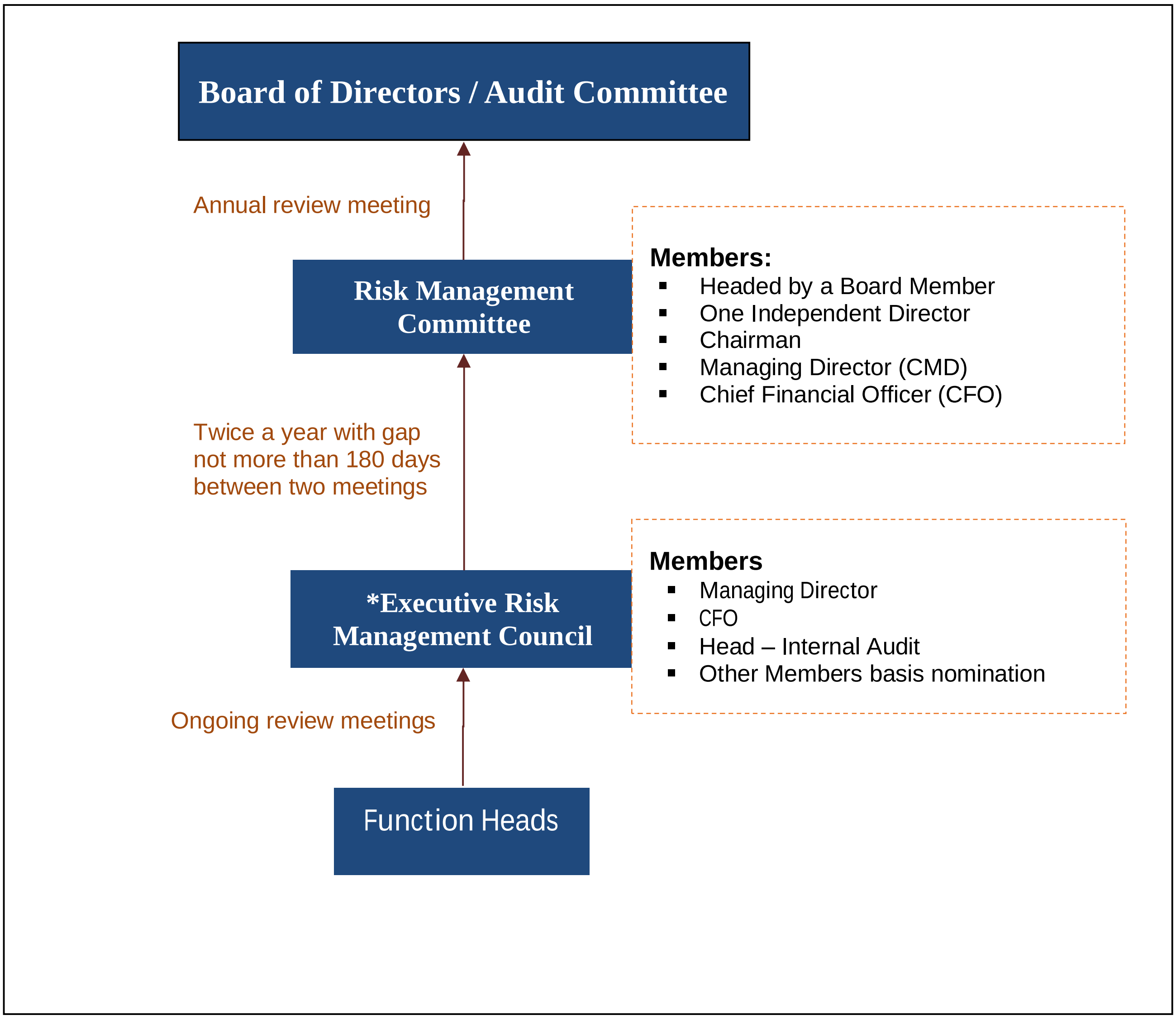
The Risk Management Organization structure (RMO) defines the roles and responsibilities of key internal stakeholders for developing, implementing and maintain the ERM initiative on an ongoing basis. The RMO aligns individuals, teams and functions with the intent of establishing responsibility and accountability with regard to:

- Monitoring effective implementation of the ERM framework
- Update the ERM framework and its components on an ongoing basis based on business needs

- Embedding ERM into the organization's culture

The overall structure and roles for the ERM framework is summarized below:

Figure 1.1: Risk Management Organization structure



8. Roles and responsibilities of key stakeholders

Stakeholder	Summarized Role & Responsibilities
Board of Directors / Audit Committee	▪ Review the risk management framework periodically and provide overall oversight and direction to the risk management process including inputs on certain strategic risks. ▪ Review the performance of the RMC and provide necessary guidance, where necessary.
Risk Management Committee	▪ Approve the risk management framework and policy for Wockhardt. ▪ Periodically review the risk management framework, applicable processes and practices and ensure adequate measures are taken to address risks relating to effective execution of business strategy. ▪ Review risk exposures identified across business segments along with their mitigation strategies, implementation effectiveness and provide additional guidance to management as deemed necessary. ▪ Evaluate risks relating to cyber security and ensure that appropriate measures have been taken to address these risks in a timely manner. ▪ Update the Board and the Audit Committee (where required) with regards to risk management decisions taken by the company. ▪ Provide necessary inputs and support to the ERMC in performing risk management activities as envisaged.
Executive Risk Management Council (ERMC)	▪ Assume overall leadership over ERM processes in line with directions of the RMC and the approved ERM framework. Establish procedures and timelines for various risk management activities. ▪ Monitor external trends and factors impacting the risk profile of the organization, communicate the information internally and document new / change in risks as required. ▪ Facilitate implementation of the ERM framework (in liaison with the risk coordinators) within the organization and its underlying business units, subsidiaries and functions. ▪ Monitor progress of implementation of risk mitigation plans for significant risks
Business | Function Heads	▪ Assume primary responsibility for identifying, assessing and managing business, operational and compliance risks within their business units, subsidiaries and functions. ▪ Conduct periodic meetings with the below objectives: ➢ Review updated risk registers for his function and evaluates need for inclusion of new / emerging risks. ➢ Check status of implementation measures and effectiveness of existing controls. Implement additional measures to reduce risk exposures to an acceptable level. ➢ Identify reasons for any risks that may have materialized and implement action plans to strengthen the mitigation measures.

Stakeholder	Summarized Role & Responsibilities
Head – Internal Audit	▪ Assist the Business | Function Heads in embedding a consistent approach to risk-based decision making and ingrain a positive risk culture across the organization. ▪ Assist the function heads in minimizing the adverse impact of risks to the enterprise and proactively converting risks into opportunities. ▪ Facilitate and support respective functions in collaboration with the ERMC in identifying, assessing, evaluating, prioritizing, monitoring and reporting of risks ▪ Co-ordinate in preparation and submission of risk reports to the RMC. Highlight any differences of opinion. ▪ Review the risk registers prepared by the business units, subsidiaries and functions periodically to ensure adequacy of risk management activity. ▪ Assist with implementation of procedures for proactive review of risks for projects, transactions, new businesses, etc.
Risk Owners	▪ Take overall responsibility for managing individual risks in line with ERM framework. ▪ Coordinate with the Function heads in deciding appropriate risk treatment plans for risks assigned ▪ Identify new or emerging risks and propose treatment plans on an ongoing basis should be within the risk owners area of operation ▪ Monitor the progress of risk treatment plans on a monthly basis and review risks on a quarterly basis and provide periodic reports to the Function heads.

9. Risk Appetite

Risk appetite is the amount of risk that the organization is willing to pursue or retain in pursuit of its objectives. In other words, the organization will take risks which do not result in the breach of its appetite. The Company may define risk appetite basis suitable parameters such as sales, profitability, reputation impact, business disruption etc. which would form an integral part of the risk management framework. The risk appetite shall be decided and reviewed by the management on a periodic basis.

10. Risk assessment parameters

Each risk is assessed with reference to two parameters viz “Liklihood” (of occurrence) and the Impact (if the risk materialises). Each parameter is assigned a score on a five point scale with 1 being the lowest and 5 being the highest. The score assigned to a risk is a product of its Probability and Impact. Based on the exposure, the risks would be measured as Low, Moderate and Significant.