Risk Management Policy

January 2019

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1. Background

This Risk Management Policy of Wockhardt Limited incorporating relevant recent regulatory requirements relating to Risk Management in India shall come into effect from the date of approval by Board of Directors.

The Risk Management Policy is intended to institutionalize the risk management framework of Wockhardt Limited ('the Company") to identify, review, report potential material risks.

2. Regulatory Requirements

This Risk Management Policy is intended to cover regulatory framework in India for Risk management under relevant statues. Synopses of relevant regulatory requirements for Risk Management are as under:

The Companies Act, 2013:

- Section 177, terms of reference of the audit committee to include review of internal financial control (IFC) frame work and risk management.
- Section 134 (3) (*n*): Board's report shall include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

Requirement as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- **Requirement as per Regulation 21 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:**

  a) The Board of Directors shall constitute a Risk Management Committee.
  b) The majority of members of Risk Management Committee shall consist of members of the Board of Directors.
  c) 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.
  d) 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.
  e) The risk management committee shall meet at least once in a year.
  f) The Board of Directors would need to include cyber security and related risks while specifying the role and responsibility of risk management committee.
  g) The provisions of this regulation shall be applicable to top 500 listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

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

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

3. Risk Definition

Risk in the context of the Company can be defined as any uncertainty (external/internal) arising out of any event or otherwise which, if not mitigated, would adversely affect the following (either in isolation or in combination)

- Company's business, assets and its profitability
- Its reputation and market position
- Opportunity loss, if any

4. Risk Categorization

The risks for the Company can be broadly categorized into:

- Business and operational risk
- Regulatory risk
- Human capital risks
- Financing risk
- Reputational risk
- IT risk
- Crime and physical security
- Natural calamities risk

5. Risk Management Process

Risk management process involves identification of risks that may affect the business plans or strategy. Impact of these risks is assessed and appropriate risk minimisation or mitigation plan is developed. The status of key risks and the mitigation plans are presented to the management risk committee. The process is briefly explained below:

- Identification

  Identify risk, areas of impact and their causes with potential consequences.

- Assessment

  For all key risk identified, a qualitative and quantitative risk assessment is done**.** Risk impact assessment is the process of assessing the probabilities/likelihood and consequences/impact of risk events if they are realized. The results of this assessment are then used to prioritize risks to establish a most-to-least-critical importance ranking. Company will use appropriate measures for evaluating risks and these measures will be evaluated from time to time.

a) Significance / Impact

Company will rate the significance/ impact of the risk in the following order:

Degree of Impact	Weightage
Insignificant	1
Moderate	2
Major	3
Significant	4

Appropriate measurement parameters will be used and evaluated from time to time for assessing significance/ impact.

b) Likelihood:

	Rare	Unlikely	Possible	Likely	Almost Certain
Occurrence	Event may occur only in exceptional circumstances	Event could occur in some time	Event should occur at some time	Event will probably occur in most circumstances	Event is expected to occur in most circumstances
Probability	Within 5-7 years	Within 3-5 years	Within 1-3 years	Next 6-12 months	Next 0-6 months
Weightage	**1**	**2**	**3**	**4**	**5**

c) Risk Measurement:

Exposure for all the risks should be calculated by multiplying the relevant weightages for significance and likelihood. Based on exposure, risk levels will be measured as Low, Moderate and Significant.

- Mitigation plan
  Depending on the risk measurement, company may adopt one or more of the methods to minimize or mitigate the risk:

  a) Manage or minimise the risk.

  b) Risk reduction: Action is taken to reduce risk likelihood or impact, or both. This typically involves any of a myriad of everyday business decisions.

  c) Risk share / transfer: Reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common techniques include purchasing insurance cover, outsourcing activities, etc.

  d) Risk acceptance / retention: No action is taken to affect risk likelihood or impact. This is mainly in cases where the risk implications are lower than the Company's risk appetite levels.

- Implementation, Monitoring and Reporting
  Monitor implementation of mitigation plan and present the status of key risks along with mitigation plan to management risk committee.

6. Management Risk Committee

Management risk committee is proposed to be comprising of:

1. Managing Director
2. Chief Financial Officer
3. Head Internal Audit
4. Company Secretary

Where the Committee requires the attendance of any official for specific requirements, they shall be invited accordingly. The Head Internal Audit shall be secretary to the Committee. The Committee shall meet periodically.

7. Role of the Management Risk Committee (MRC)

a) Status of key risks and their mitigation plan shall be presented to MRC. Any major incident/event occurring in previous quarter giving rise to new risks along with action taken for preventing reoccurrence of those incidents shall also be presented to MRC.
b) MRC shall review the key risks, status of mitigation plan and provide direction in respect of identifying, assessing and mitigation of risk. MRC shall also review status of high risk internal audit recommendations.
c) MRC shall review and approve modifications to existing policies, procedures, risk appetite, risk tolerance limits and other risk parameters.
d) Minutes of the meeting capturing action plan will be circulated for implementation by the Secretary of the MRC and status shall be reviewed in the next meeting.
e) MRC will report to the Risk Management committee of the Board yearly the significant risks (identified as per point no.5 above) and action taken.

8. Risk Management Committee of the Board (RMC)

The Risk Management Committee of the Board (RMC) shall comprise of such numbers of the members as may be decided by the Board from time to time. It shall have oversight over the effectiveness of the risk management system and processes. Key risks identified (as per point no.5 above) along with the mitigating controls shall be presented to the RMC at least once in a year. Overdue pending action plans shall also be presented to RMC. If any such situation arises which requires presentation of risks at a frequent duration, then committee may meet at a higher frequency accordingly. Company Secretary shall be the Secretary to the RMC.