Glenmark Pharmaceuticals Limited

Risk Management Policy
("Policy")

1. Objectives

1.1. Glenmark Pharmaceuticals Limited (the "**Company**") considers ongoing risk management to be a core component of the management of the Company, and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.

1.2. The Policy outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture. This Policy is drafted in accordance with the provisions of Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('**SEBI Listing Regulations**") read with Part D Schedule II of the SEBI Listing Regulations.

2. Risk Management System

2.1. The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Risk management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by internal audit.

- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.

- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high risk profiles.

- A strong and independent internal audit function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Audit Committee of the Board("ACM") of the Company reviews internal audit findings, and provides strategic guidance on internal controls, monitors the internal control environment within the Company and ensures that internal audit recommendations are effectively implemented.

2.2. The combination of policies and processes as outlined above adequately addresses the various risks associated with our Company's businesses. The senior management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

3. Risk Management Committee

3.1. As per the requirements under the SEBI Listing Regulations, the composition of the Risk management committee ("**Committee**") shall be as follows:

The Committee shall comprise of a minimum of three members with majority of them being members of the board of directors, including at least one independent director.

3.2. The chairperson of the Committee shall be a member of the Board of the Company. The Board may at its discretion nominate/designate senior executives of the Company as members of the Committee.

3.3. The Committee shall meet at least twice in a year. The meetings of the Committee shall be conducted in such a manner that on a continuous basis not more than 210 (two hundred and ten) days shall elapse between any two consecutive meetings.

3.4. The quorum for a meeting of the Committee shall be either 2 (two) members or one third of the members of the Committee, whichever is higher, including at least one member of the Board in attendance.

3.5. The terms of reference of the Committee shall *inter alia* include such role and responsibilities and duties as determined by the Board of the Company. The Committee shall also be vested with such role and responsibilities and duties stipulated under the SEBI Listing Regulations and/or the Companies Act, 2013 (as amended from time to time) which shall *inter alia* include the following:

3.5.1. To formulate a detailed risk management policy which shall include:

3.5.1.1. A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, environmental, social, and governance related risks), information, cyber security risks or any other risk as may be determined by the Committee.

3.5.1.2. Measures for risk mitigation including systems and processes for internal control of identified risks.

3.5.1.3. Business continuity plan.

3.5.2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

3.5.3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

3.5.4. To periodically review this Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

3.5.5. To keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;

3.5.6. To consider and review the appointment, removal and terms of remuneration of the chief risk officer (if any).

3.6. In case there is an overlapping of the activities of Committee with the activities of other committees constituted by the Board, then the Committee shall coordinate and carry out its activities in the manner/ as per the framework laid down/ to be laid down by the Board in this regard.

3.7. The Committee shall have the power to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary, for effectively carrying out its duties, responsibilities and functions entrusted to it by the Board of the Company or prescribed under the applicable law.

4. Risk Appetite

4.1. A critical element of the Company's risk management framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives.

4.2. The key determinants of risk appetite are as follows:

4.2.1. Shareholder and investor preferences and expectations;

4.2.2. Expected business performance (return on capital);

4.2.3. The capital needed to support risk taking;

4.2.4.The culture of the organization;

4.2.5.Management experience along with risk and control management skills; and

4.2.6.Longer term strategic priorities.

4.3. Risk appetite is communicated through the Company's strategic plans. The Board, Committee and the management of the Company monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

5. Risk Management Process

5.1. The Company's risk management process comprises systematically identifying, analyzing, evaluating and managing all risks. To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management process/program in light of the day-to-day needs of the Company.

5.2. Regular communication and review of risk management program provides the Company with important checks and balances to ensure the efficacy of its risk management program.

5.3. The key elements of the Company's risk management program are set out below.

5.3.1.**Risk Identification**

5.3.1.1. In order to identity and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

5.3.1.2. The Company majorly focuses on the following types of material risks:

- Commodity risk;
- Business risk;
- Foreign exchange risk;
- Technological risks;

- Strategic business risks;
- Operational risks;
- Quality risk;
- Competition risk;
- Realization risk;
- Cost risk;
- Financial risks;
- Human resource risks;
- Legal/regulatory risks; and
- Environment, social and governance risks.

5.3.2. **Risk Analysis**

5.3.2.1. Risk analysis involves:

- consideration of the causes and sources of risk;
- the trigger events that would lead to the occurrence of the risks;
- the positive and negative consequences of the risk; and
- the likelihood that those consequences can occur.

5.3.2.2. Factors that affect consequences and likelihood should be identified. Risk is analyzed by determining consequences and their likelihood, and other attributes of the risk. An event can have multiple consequences and can affect multiple objectives. Existing controls and their effectiveness and efficiency should also be taken into account.

5.3.3. **Risk Evaluation**

5.3.3.1. The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

5.3.3.2. Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

5.3.3.3. Decisions should take account of the wider context of the risk and include consideration of the tolerance of the risks borne by parties, other than the organization, that benefit from the risk. Decisions should be made in accordance with legal, regulatory and other requirements.

5.3.4.**Risk Treatment**

5.3.4.1. Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls.

5.3.4.2. Risk treatment involves a cyclical process of:

- Assessing a risk treatment;
- Deciding whether residual risk levels are tolerable;
- If not tolerable, generating a new risk treatment; and
- Assessing the effectiveness of that treatment.

5.3.4.3. Based on the risk level, the company formulate a risk management strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances.

5.3.4.4. Following framework shall be used for risk treatment:

5.3.4.4.1. **Risk Avoidance**

As the name suggests, risk avoidance implies not to start or continue with the activity that gives rise to the risk.

5.3.4.4.2. **Risk Reduction**

Risk reduction involves reducing the severity of the loss or the likelihood of the loss from occurring. Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.

5.3.4.4.3. **Risk Sharing**

Sharing, with another party, the burden of loss or the benefit of gain, from a risk.

5.3.4.4.4. **Risk Retention**

Involves accepting the loss, or benefit of gain, from a risk when it occurs. Risk retention is a viable strategy for risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the organization too much.

6. Oversight and management

6.1. Board of Directors

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by Committee and senior management. The Committee or management may also refer particular issues to the Board for final consideration and direction.

6.2. Risk Management Committee

6.2.1. The day-to-day oversight and management of the Company's risk management program has been conferred upon the Committee.

6.2.2. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks.

To achieve this, the Committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks;
- review and monitor cyber security; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

6.3. **Senior Management**

6.3.1. The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the Company and individual business units.

6.3.2. Senior management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior management should report regularly to the Committee regarding the status and effectiveness of the risk management program.

6.4. **Employees**

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

6.5. **Review of risk management process/ program**

6.5.1. The Company regularly evaluates the effectiveness of its risk management process/ program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the senior management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

6.5.2. The reporting obligation of senior management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the senior management and employees responsible for its implementation.

7. Amendment

Any change in this Policy shall be approved by the Board. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment / modification in the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

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