



# **STRIDES PHARMA SCIENCE LIMITED**

## **ENTERPRISE RISK MANAGEMENT POLICY**

### Version History

Version	Approved By	Approval Date
1	Board of Directors	10-May-2019
2	Board of Directors	21-May-2020

## **1. Introduction**

The policy defines critical components of risk management process and framework in use at Strides Pharma Science Limited and its Group Companies (hereinafter, collectively referred to as “Strides”, “Strides Group” or “Company”). Implementing each of these components altogether supports the enhancement of business stability and sustainable growth of the Company.

Enterprise Risk Management (ERM) Policy has been established by Strides as a comprehensive set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization and its extended enterprise

## **2. Scope**

This policy applies to all functions, business units and Group Companies of the Strides Group.

## **3. Purpose**

The purpose of this document is to define the requirements around ERM. The policy sets out the objectives and accountabilities for risk management within Strides such that it is structured, consistent and effective.

## **4. Risk Management Objectives**

The objective of the ERM Policy is to establish a structured and intelligent approach to Risk Management for Strides with a view to create a “Risk Intelligent” organization. The broader objectives are to:

1. Provide a sound basis for good Corporate Governance practices;
2. Promote an innovative, risk aware culture in pursuit of opportunities to benefit the organization;
3. Support the achievement of Strides Group’s mission, vision and strategic priorities in line with its core values;
4. Identify and pursue existing and new opportunities in accordance with the Strides Group’s risk appetite and strategy;
5. Integrate risk management in the culture and strategic decision-making across the organization;
6. Establish a risk intelligent framework for the organization;
7. Establish robust processes for identifying, assessing, responding to, monitoring and reporting on risk across the Group Companies
8. Establish a process for identifying, assessing, and monitoring on risks arising from the extended enterprise.
9. Anticipate and respond to changing social, environmental and legislative condition;

10. Facilitate compliance with the relevant legal and regulatory requirements and international norms.
11. Establish a process to identify and assess risks which can result in crisis scenarios for the organization and define crisis response recovery plans for such crisis risks.

## **5. Policy Principles**

Strides is committed to adopt a proactive approach to risk management which is based on the following underlying principles:

- Strides endeavors to create risk awareness across the organization;
- The Company strives to anticipate and take pro-active or otherwise preventive actions to manage or mitigate the risks and set up mechanisms to effectively respond and recover from scenarios where risks materialize as a result of a crisis;
- The Company will align and integrate varying views on risk management and review and monitor a uniform risk management framework across all lines of business, functions and geographies;
- The Company will strengthen the governance framework by focusing on proactive risk informed decision making to enable sufficient lead time before an unfavorable risk event occurs;
- All employees of the Company take responsibility for the effective management of risks in all aspects of the business.

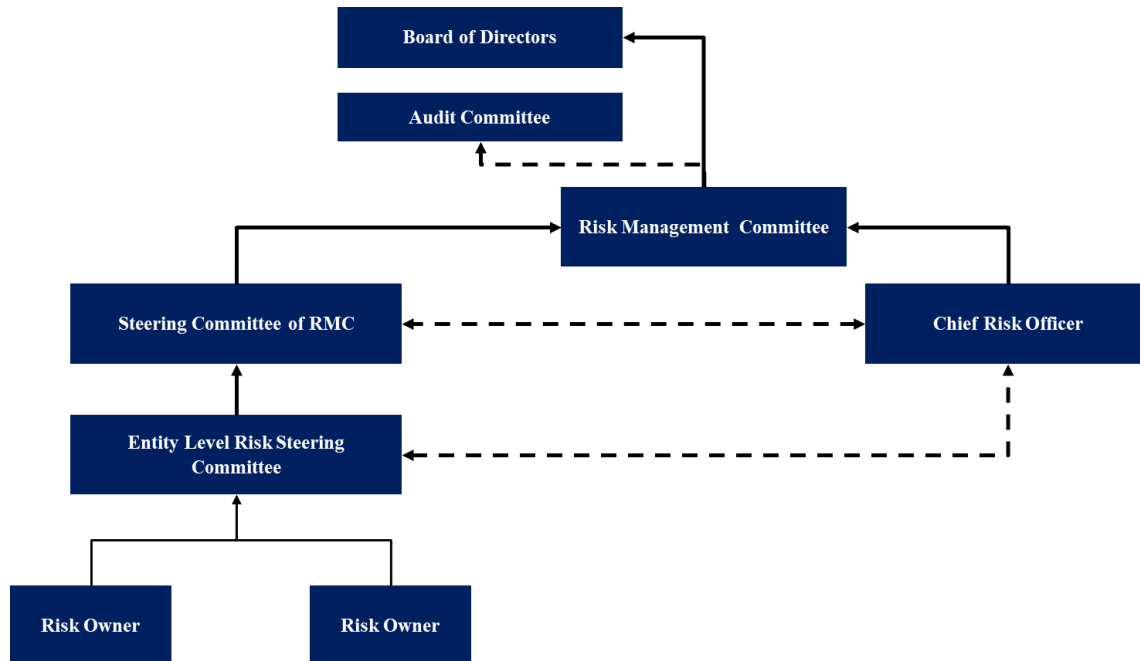
## **6. Management Governance Structure**

The risk management governance structure has been developed keeping in mind Strides Group structure, to ensure seamless integration of risk management process with the existing processes.

To achieve the stated policy and ERM objectives, the Company has established three levels of risk management responsibilities as: Risk Oversight, Risk Infrastructure & Management and Risk Ownership.

- The Board of Directors of the Company have the overall governance oversight responsibility with respect to ERM. Board will be responsible to review the risk management policy and process, define and review the risk appetite of the Company and provide direction to the management with respect to its ERM Practices.
- The Board has delegated the roles and responsibilities for risk governance and oversight to Risk Management Committee (RMC) of the Board and Audit Committee.

- Further, Group Level Steering Committee of RMC is formulated and Entity Level Risk Steering Committees for each entity will be formulated, whose roles and responsibilities shall be governed as per their approved charters.
- The Company has appointed a Chief Risk Officer to assist the RMC and Steering Committee of RMC in risk monitoring and reporting process.



## 7. Roles & Responsibilities for Risk Management

Responsibility for risk management is shared across the organization. To manage risks across organization, risk management policy encompasses three main pillars of responsibilities that will cascade the scope of activities to senior management and all employees.

### 7.1 Risk Governance and Oversight

#### Board of Directors

The Board is fully committed to the objectives of ERM and its engagement in risk oversight function to strengthen the organizational resilience to significant risk exposures. The Board, through the Audit Committee and Risk Management Committee shall oversee the establishment and implementation of an adequate system of risk management across the Company.

The Board shall comprehensively review the effectiveness of the Company's risk management system on an annual basis.

### **Audit Committee**

Audit Committee would be entrusted with the responsibility of periodic evaluation of risk management programme and provide insight and direction to the risk management committee.

### **Risk Management Committee**

The Board of Directors has constituted a sub-committee - Risk Management Committee (RMC or the Committee) to assist the Board in framing policy, guiding implementation, monitoring and reviewing the effectiveness of risk management policy and framework. The Committee will act as a forum to discuss and manage key risks. The RMC will meet at least twice in a year or more frequently as may be deemed necessary after evaluation of the risk matrix, crisis scenario, etc. The roles and responsibilities of the RMC have been defined as per the Board approved Charter.

- Advise the Board of Directors and Audit Committee on effectiveness of the risk management systems.
- Review and analyze risk exposure related to key risks and ensure that risk assessment and implementation are carried out as per the defined policies, procedures and plans.
- Reviewing key risks, including strategic, financial, operational, cyber and compliance risks.
- Establish and communicate risk vision and philosophy, approve risk strategy and establish risk appetite.
- Review and approve the ERM framework of the Company on a periodic basis. The Committee shall review and approve the risk management culture, processes and practices of the Company.
- Review and approve the Crisis Management Framework of the Company and Crisis Response Plans for key crisis risk scenarios.
- Monitor and review the exposures of the material risks and assess management preparedness to deal with the risk and associated events.
- Advise the Board on all matters related to ERM. Engage other stakeholders in the risk management process when the need is identified. Facilitate communication of ERM information.
- The Committee may form and delegate authority to a sub-committee, which shall assist the Committee to manage the ERM.

## **7.2 Risk Infrastructure and Management**

### **Steering Committee of RMC**

To focus on ERM Governance and implementation, Strides has constituted Steering Committee of RMC which reports to the RMC of the Board. This Committee has the primary responsibility of implementing the Risk Management Policy of the Company and achieving its stated objectives of developing a risk intelligent culture that supports strategic decision making and helps improve company performance.

The Steering Committee of RMC will meet on a quarterly basis or more frequently as required by the RMC or specific circumstances and carry out its roles and responsibilities as defined in the Board approved Charter:

- Provide support and consultancy role, including facilitate and advise on the implementation of risk management and related matters across business units.
- Coordinate with the Chief Risk Officer, all Business Head/ Functional Head and all the other stakeholders and set the limits and controls on risk appetite.
- Monitor all cyber-risk management activities to align with the overall enterprise risk profile of the organization.
- Identify high priority risk and report the progress to the RMC on a periodic basis
- Receive the Risk Management Sheet from each function, and evaluate the appropriateness of countermeasure(s) and risk scoring
- The steering committee may also be required to act as a crisis management committee in order to effectively assess, respond and recover from any major crisis scenarios.
- For this purpose, the committee may include additional members who possess requisite skills required in the relevant crisis situation. In this role the crisis management committee, shall be responsible for:
  - Setting-up mechanisms to identify the various crisis scenarios that may adversely impact the Company, evaluate the Company's readiness in responding to such scenarios including existence and robustness of crisis management playbooks
  - Managing the communication channels to ensure accurate and timely reporting to the leadership, external stakeholders, media partners and public at large
  - Evaluating the outcome of the responses as a means of continuous improvement mechanism in the risk management and crisis response practice
- Carry out any other activities as may be required or deemed necessary in this regard

## **Chief Risk Officer**

The Chief Risk Officer (CRO) plays a pivotal role in the oversight and execution of the company's risk management function. Working closely with the Board of Directors (BoD), Audit Committee, Risk Management Committee (RMC), the CRO shall be responsible for developing and implementing risk assessment policies, monitoring strategies, and implementing risk management capabilities. CRO shall facilitate the execution of risk management practices in the enterprise in the areas of risk identification, impact assessment, monitoring, mitigation and reporting.

The CRO's ultimate objective is to help the Board and executive management to determine the risk-reward tradeoffs in the business and bring unfettered transparency into the risk profile of the business.

CRO shall closely co-ordinate with the risk owners, management team and steering committee in formulating a robust crisis response and recovery framework.

**Entity Level Risk Steering Committee (ELRSC)** will be formulated for each Strides Group Entity. The ELRSC will be responsible for reporting on the status of risk management activities for their respective entities on a quarterly basis to the CRO office and to the Steering Committee of the RMC.

## **7.3 Risk Ownership**

### **Risk Owner**

The final ownership of risks and mitigation rests with Risk Owner. The Risk Owner owns the complete risk register for the risks assigned to his/her name. The Risk Owner for a risk is usually a senior person in the business or enabling function, who can drive and monitor the progress of the mitigation strategies. The Risk Owner in turn may further delegate the mitigation strategies and action plans down the hierarchy to ensure ground level implementation of the mitigation action plans. The Risk Owner also regularly tracks and monitors the progress and status of risks.

## **8. Communication**

This Policy shall be communicated to all Function / Division Heads and other stakeholders involved in risk management process across the Company.

## **9. Review**

This Policy shall be reviewed at least every year to ensure that it is aligned with the changes in business environment and regulatory requirements.

## **10. Enterprise Risk Management Manual**

The Risk Management policy will be read with the **Enterprise Risk Management Manual** (ERM Manual) which lists down the details risk management process to be followed to identify different category of risks and take actions on them. The detailed guidance to risk management for the functions/division can be found in **the ERM Manual**.

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