

Risk Management Policy
Of
Marksans Pharma Limited



Introduction

Risk management is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

Paragraph (C) of sub-clause IV of Clause 49 of the Listing Agreement states as under *"The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework"*

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the Corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009

Risk Strategy:

Marksans recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

Marksans, in its endeavor to become a global pharmaceutical company, is committed to excellence. In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative.

The Risk Management Policy of the Company has been approved by the Board of Directors duly vetted by the Risk Management Committee and categorically addresses Business Environment Risks, Strategic Business Risks, Operational Risks and other risks and their corresponding mitigation measures.

For managing risk more efficiently, the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

Risk Management Framework

Objectives must exist before management can identify potential events affecting their achievement. Risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite. The Objectives of the Company can be classified into :



Strategic:

- Organizational Growth.
- Comprehensive range of products.
- Sustenance and Growth of Strong relationships with dealers/customers.
- Expanding presence in existing markets and penetrating new geographic markets.
- Continuing to enhance industry expertise.
- Enhance capabilities through technology alliances and acquisitions.

Operations:

- Consistent Revenue growth.
- Consistent profitability.
- High quality production.
- Further develop Culture of Innovation.
- Attract and retain quality technical associates and augmenting their training.

Reporting:

- Maintain high standards of Corporate Governance and public disclosure.

Compliance:

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards.

In principle, risks always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of risk management is monitored and modifications made as necessary.

Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures.

Marksans adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

The Company has constituted a Risk Management Committee. The Committee will submit periodically its report to the Board about risk assessment and mitigation measures undertaken.

Objectives of Risk Management Policy

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management in order to guide decisions on various issues. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the organization are assessed, identified, quantified, appropriately mitigated and managed.
2. To establish a framework for the risk management process and to ensure its organization-wide implementation.
3. To ensure systematic and uniform assessment of risks across all operations of the Company.
4. To mitigate interest rate risk and foreign exchange fluctuations on account of high debt exposure.
5. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
6. To assure business growth with financial stability.



Principles of Risk Management

In order to fulfil the objectives of this policy and lay a strong foundation for the development of an effective and integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

1. Risk Management creates and protects value and contributes to the demonstrable achievement of objectives and improvement of performance in every area like human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product quality, project management, operational efficiency, corporate governance and image building.
2. Risk Management is a part of the responsibilities of management and an integral part of all organizational processes, including strategic planning and all project and change management processes.
3. All investment decisions will be made after distinguishing among alternative courses of action with identification of expected risks.
4. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.
5. All employees of the organization shall be made aware of risks in their respective domains and their mitigation measures.
6. The risk mitigation measures adopted by the organization shall be effective in the long-term and to the extent possible be embedded in the business processes of the organization.
7. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in organization's strategy.
8. The inputs to the process of managing risk are based on the best available information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgment. However, decision makers should inform themselves of and should take into account, any limitations of the data used or the possibility of divergence among experts.
9. Risk Management takes human and cultural factors into account by recognizing the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organization's objectives.
10. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.
11. Risk Management is transparent and inclusive by timely involvement of all the stakeholders; is dynamic, iterative and responsive to change by continually sensing them and facilitates continual improvement of the organization by developing and implementing strategies to improve their risk management maturity.

Risk Management Policy Statement

To protect and add value to the organization and its stakeholders through supporting the organization's objectives by:

1. Providing a framework for an organization that enables future activity to take place in a consistent and controlled manner.
2. Improving decision making planning and prioritization by comprehensive and structured understanding of business activity, volatility and project opportunity / threat.
3. Contributing to more efficient use / allocation of capital and resources within the organization.
4. Developing and supporting people and the organization's knowledge base.

Scope and extent of application

The policy guidelines are devised in the context of the future growth objectives, business profile envisaged and new business endeavors including new products and services that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations. This policy is meant to ensure continuity of business and protection of interests of the investors and thus covers all the activities within the organization and events outside which have a bearing on the organization's business.



The policy shall operate in conjunction with other business and operating / administrative policies. The Risk management process shall become part of and not separate from other organizational processes and in particular should be embedded into the policy development, business and strategic planning and review and change management processes.

The policy will be a guiding document for risk management with an endeavor to facilitate the decisions at Marksans. Activities at all levels of the organization are considered in the risk management framework. All these components are interrelated and drive the comprehensive Risk Management with focus on three key elements, viz.

- (1) Risk Assessment
- (2) Risk Management
- (3) Risk Monitoring.

1. Risk Assessment

Risk assessment is the overall process of Risk identification, Risk analysis and Risk evaluation. The Process shall mainly cover the following in details:

- a) Risk Identification and Categorization – the process of identifying the company's exposure to uncertainty classified under various categories.
- b) Risk Description – the method of systematically capturing and recording the company's identified risks in a structured template covering a range of information about a particular risk.
- c) Risk Estimation – the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach in terms of the probability or occurrence and the possible consequence.

1.1 Identification and categorization of Risks

Risks are often described by an event, a change in circumstances or a consequence that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives.

The organization should identify sources of risk, areas of impacts, events and their causes with potential consequences. The aim is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. Comprehensive identification is critical, because a risk that is not identified here will be missed from further analysis. This should include examination of the knock-on effects of particular consequences, including cascade and cumulative effects.

The organization should apply risk identification tools and techniques that are suitable to its objectives and capabilities and to the risks faced. Relevant and up-to-date information including background information is important.

Key characteristics by which risks can be identified are:

- Risks are adverse consequences of events or changed circumstances
- Their occurrence may be identified by the happening of trigger events
- Their occurrence is uncertain and may have different extents of likelihood

Recognizing the kind of Risks that Marksans is/may be exposed to, Risks will be classified broadly into the following categories:

A. BUSINESS ENVIRONMENT RISK

1. Government Policy
2. Competition
3. Change in stakeholders requirements



4. Political Risk

B. STRATEGIC BUSINESS RISK

1. Geographical concentration
2. Customer concentration
3. Therapeutic distribution

C. FINANCIAL RISK

1. Foreign Currency Fluctuation
2. Liquidity –
 - a. Solvency
 - b. Borrowing limits
 - c. Cash management
3. Leverage
4. Credit Risk
5. Inflation and cost structure

D. LEGAL RISK

1. Statutory compliance
2. Contractual obligation
3. Judicial/court ruling
4. Insurance
5. Fraud
6. IP infringement risk

E. OPERATIONAL RISK

1. Demand and Supply Risk
2. Suppliers' lead time, interest rate risk
3. Raw material price
4. Interruption in supply of raw materials
5. Quality issue

F. DISASTER RISK

1. Natural risk like fire, floods, earthquakes

G. TECHNOLOGICAL OBSOLESCENCE

H. HUMAN RESOURCES

1. Employee/labour turnover
2. Skilled labour

I. SYSTEM RISK

1. System capability
2. System reliability
3. Data integrity and security

J. SAFETY AND HEALTH EMPLOYEES

K. ENVIRONMENTAL RISK

L. OTHER RISK

1.2 Risk Description

Risk Description provides an input to Risk Estimation and to decisions on whether risks need to be treated and on the most appropriate risk treatment strategies and methods. It involves consideration of the causes and sources of risk, their likelihood consequences and



identification of the factors that affect them.

Consequences and their likelihood can be determined by modeling the outcomes of an event or set of events, or by extrapolation from experimental studies or from available data. Consequences can be expressed in terms of tangible and intangible impacts. In some cases more than one numerical value or descriptor is required to specify consequences and their likelihood for different times, places, groups or situations.

A risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures. Risk descriptions for each of the risks identified are to be documented and recorded in a structured template in each area where the risk is identified.

1.3 Risk Estimation

In this process, the consequences of the risk occurrences have to be quantified to the maximum extent possible, using quantitative, semi-quantitative or qualitative techniques.

Process of risk quantification for the organization has to be qualitative, supported by quantitative impact analysis. To apply this approach, the chain of adverse consequences which may occur in case the identified risk materializes, should be enlisted. For each of the chain of adverse consequences, efforts will be made to quantify its impact for each particular risk. In such an exercise, estimated cost impact like claims by suppliers, service providers and customers, loss of equipment value etc. as well as opportunity cost like loss in realization of revenue, delay in commission of project etc. will be considered.

1.4 Risk Assessment Techniques

Risk assessment is a fundamentally important part of the risk management process. In order to achieve a comprehensive risk management approach, organization needs to undertake suitable and sufficient risk assessments. A range of the most common risk assessment techniques is set out in **Annexure – A** for guidance.

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

2 Communication

Enhanced risk management includes continual communications with external and internal stakeholders, including comprehensive and frequent reporting of risk management performance, as part of good Corporate Governance.

This will be done by communication with stakeholders as an integral and essential component of risk management. Communication in Marksans will be a two-way process, such that properly informed decisions can be made about the level of risks and the need for risk treatment against properly established and comprehensive risk criteria.

Comprehensive and frequent external and internal reporting on both significant risks and on risk management performance contributes substantially to effective governance within an organization.

2 Risk Management Strategy

Following is a framework to be used for the implementation of the Risk Management Strategy:

Best management of risk is to examine each risk and decide as to how to prepare for the risk of event, if it occurs. It involves defining enhancement steps for opportunities and responses to threats. Depending upon the Risk Priority (Devastating/Extreme, Major/High, Tolerable/Moderate, or Minor/Low); strategy of action on imperative measures, considered



measures or let risk happen, needs to be decided. Threats falling in the categories of devastating/extreme or major/high need special attention and those in the categories of tolerable/moderate or minor/low need careful attention. Response to threats generally falls into one of four categories:

- (i) Avoidance, whether to avoid the risk carrying activity
- (ii) Transference, whether to transfer the risk to another participant
- (iii) Reduction, whether to reduce the risk (risk abatement) or
- (iv) Retention, whether to accept the risk (risk retention)

Risk Avoidance:

Avoidance may seem the answer to all risks but avoiding risks also means losing out on potential gain that accepting (retaining) the risk may have allowed. For example, not entering into a business to avoid the risk of loss also avoids the possibility of earning profits. Risk Avoidance is eliminating a specific threat, usually by eliminating the cause. All risks can never be eliminated, but specific risk events can often be eliminated.

Risk Transfer:

It is a mitigation measure by having another party to accept the risk, either partial or total, typically by contract like insurance or by hedging. It is shifting of the risk burden from one party to another. This is usually done through conventional insurance (as a post event compensatory mechanism) and through the use of contract indemnification provisions (involving contract language that transfers a risk to another party without payment of an insurance premium). A risk insurance plan needs to be drawn, updated and implemented. Through Risk transfer via Conventional Insurance, one may recover costs, but it may not be possible to retrieve time loss and consequential damages. Thus risk transfer does not imply that caution can be thrown to winds.

Risk Reduction / Abatement:

Risk reduction / abatement is a process of combining loss prevention or loss control to minimize a risk. It is reducing the expected monetary value of a risk event by reducing the probability of occurrence (e.g., using proven technology to lessen the probability that the product of the project will not work like Shot-Crete to prevent loss), reducing the risk event value (e.g., buying insurance), or both. This strategy serves to reduce the loss potential and decrease the frequency or severity of the loss. Risk abatement is preferably used in conjunction with other risk management strategies, since using this method alone will not totally eliminate the risk.

Risk Retention:

This strategy is used only when it is impossible to avoid, transfer or reduce the risk. Or, based on an evaluation of the economic loss exposure, it is determined that the diminutive value placed on the risk can safely be absorbed. Another consideration in retaining a risk is when the probability of loss is so large or catastrophic that they either cannot be insured against or the premium would be infeasible. It is also a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total loss sustained. Risk Retention or Acceptance is accepting the consequences. Acceptance can be active e.g., by developing a Contingency Plan / Disaster Management Plan to execute, should the risk event occur or passive e.g. by accepting a lower profit/time & cost overrun, if some activities overrun.

3. Selection of a Risk Management Strategy

The success of Risk Treatment much depends upon the robustness of Risk Management Strategy. The options enumerated above are not necessarily mutually exclusive or appropriate in all circumstances. They can be considered and applied against a particular risk either individually or in combination. However, the treatment plan should clearly identify the



priority order in which an individual risk treatment should be implemented.

Selecting the most appropriate Risk Management Strategy involves balancing of costs and efforts of implementation against the benefits derived with regard to legal, regulatory and other requirements such as social responsibility and protection of the natural environment. Decisions should also take into account risks which can warrant risk treatment that is not justifiable on economic grounds, e.g., severe (high negative consequence) but rare (low likelihood) risks.

Though equally effective, some risk treatments can be more acceptable to some stakeholders than to others. Also risk treatment itself can introduce risks. A significant risk can be the failure or ineffectiveness of the risk treatment measures. Hence, monitoring and review need to be an integral part of the Risk Management Strategy to give assurance that the measures remain effective.

Risk treatment can also introduce secondary risks that need to be assessed, treated, monitored and reviewed. These secondary risks should be incorporated into the same treatment plan as the original risk and not treated as a new risk. The link between the two risks should be identified and maintained.

3.1 Preparing and Implementing Risk Treatment Plans

Risk Management Strategy shall document how the chosen treatment options will be implemented. The information provided in treatment plans should include:

- The reasons for selection of treatment options, including expected benefits to be gained,
- Those who are accountable for approving the plan and those responsible for implementing the plan,
- Proposed actions,
- Resource requirements including contingencies,
- Performance measures and constraints,
- Reporting and monitoring requirements and
- Timing and schedule.

Chosen Risk Management Strategy i.e., Treatment plans should be integrated with the management processes of the organization and discussed with appropriate stakeholders.

Decision makers and other stakeholders should be aware of the nature and extent of the residual risk after risk treatment i.e., taking a mitigation measure. The residual risk should be documented and subjected to monitoring, review and where appropriate, further treatment.

4. Key Implementation Areas for Risk Mitigation:

Following are the key areas where risk mitigation measures need to be implemented :

1. Institutional Strengthening

a) Strengthening, Process Benchmarking and Re-engineering for key Business Processes:

Two key business processes to be focused on

- i) Business Development and Management Services Process
- ii) Corporate Planning and Monitoring Process

The complete processes should be studied and analyzed to make the system more robust and free from any misjudgement which may be potential causes of risks. The exercise should also aim to derive standards for each activity and if required re-jig processes to plug loop holes which may be causes of potential risks.

b) Knowledge Management system

KMS should be built to capture the learning of the organization. The KMS will provide benefits for future projects in terms of handling similar risks in other projects, providing



better estimates of time and cost for specific activities, estimating occurrences of uncertain events and in capturing the tacit knowledge and experience of the organization's human resource.

c) Performance Management System

It is very important that Marksans follows a performance management system across the organization so as to bring in more responsibility, accountability and drive into the personnel engaged in critical activities. Implementation of an outcome-linked PMS along with process benchmarking would clearly bring out the areas due to which performance of the projects and organization is slipping.

d) Integrated Project Management System

A seamless integrated Project Management System is required for quick response and prompt decision making as well as to bring to attention the areas of short-fall and for tracking delays.

2. Liaison with Governments and Regulatory Authorities

To pro-actively establish coordination with key central/state/local government officials in all relevant departments. Also to take up CSR activities, creating social infrastructure etc.

3. Contract Management

To take preventive measures to avoid contractual disputes in future.

a) Comprehensive Contract Strategy

b) Vendor Registration and Rating System

The VRRS will devise a vendor registration process and contain the information about all vendors / contractors as well as limited information about contractors working for competitors. A vendor rating will be generated through this system based on the credentials of the vendor as well as past performance on critical parameters like time and cost overrun. This system will also capture learning from contract issues and help in making more robust contracts.

c) Dispute Resolution Mechanism

A dispute resolution mechanism for early and prompt settlement of contract disputes needs to be in place. This also includes regular review of the contract activities highlighting day-to-day issues. In case, such issues do not get addressed within a stipulated time and enlarge to cost impact beyond a limit they will be brought for prompt settlement.

4. Prepare for Future

a) Team for tracking competition

Marksans needs to form a team which will focus on competitive bidding in the market and tracking of all bidding details of various players. The team will also search and build up a database of latest technology to participate in a competitive bidding. A database of most competitive vendors should also be constantly maintained and evaluated. In addition, the team will work on establishing and maintaining benchmarks of various costs components.

b) Detailed Cost estimation

There exists an emergent need to capture costs incurred in current projects in a manner so as to enable the company to prepare for competitive bids using accurate estimates of various cost components e.g. material, employee costs, detail break up of R&R expenses etc. specific to a project.

5. Financing Risk Mitigation

Interest and Currency rates in the Indian and International market have witnessed extreme volatility. Hence, any adverse movement can have significant impact on the cost of capital of the projects. This highlights the importance of Hedging Policy which can help in protecting



the interest of organization. Most suitable hedging instruments such as forward contract etc. to be considered.

5. Risk Organization Structure

The Risk Management Policy will be implemented through and under the supervision of the Risk Management Committee and periodical reporting to the Board of Directors. The risk management process will start at each functional level with the functional head taking the responsibility of identifying, analysing, estimation and carrying out risk mitigation measures at functional level and recommending risk mitigation measures for devastating/extreme or major/high level risk to the Risk Cell (reporting to the Risk Management Committee) comprising of the MD, COO and CFO of Marksans. The Risk Cell will then compile the reports received from various functional heads and submit a comprehensive report to the Risk Management Committee periodically. Sample format of reporting the risk assessment and mitigation by each function/department will be as **Annexure – B**.

The overall monitoring of the Risk assessment and mitigation will be done by the Board of Directors. The Board will review the status and progress of the risks and risk management system on a regular basis through the Risk Management Committee.

All personnel forming a part of the Risk Organization Structure have to be trained on the Risk Management Framework.

Risk management includes comprehensive, fully defined and fully accepted accountability for risks, controls and risk treatment tasks. Designated individuals fully accept accountability, are appropriately skilled and have adequate resources to check and improve controls, monitor risks and communicate effectively about risks and their management to external and internal stakeholders.

This can be indicated by all employees of an organization being fully aware of the risks, controls and tasks for which they are accountable. Following will be the risk management responsibilities for every employee:

- i) Understand, accept and implement Risk Management processes
- ii) Report inefficient, unnecessary or unworkable controls
- iii) Report loss events and near-miss incidents
- iv) Co-operate with management on incident investigations

6. Risk Audit

Internal Audit Dept. will be the part of Risk Management organization structure. Management will ensure the arrangements in place to audit the efficiency and effectiveness of the controls in place for significant risks. Role of Internal Audit may include some or all of the following:

- i) Develop a risk based Internal Audit Programme.
- ii) Focusing the internal audit work on the significant risks, as identified by management and auditing the risk management process across an organization.
- iii) Receiving and providing assurance on the management of risk.
- iv) Providing active support and involvement in the risk management process.
- v) Facilitating risk identification / assessment and educating line staff in risk management and internal control.
- vi) Report on the efficiency and effectiveness of internal controls.
- vii) Coordinating risk reporting to the Risk Management Committee / Board.

In determining the most appropriate role for the organization, Internal Audit should ensure that the professional requirements for independence and objectivity are not breached.

Marksans will ensure that those who are accountable are equipped to fulfil that role by



providing them with the authority, time, training, resources and skills sufficient to assume their responsibilities.

7. Risk Management Information System (MIS)

Risk information is needed at all levels of the organization to identify, assess and respond to future occurrences of risk events. Pertinent information from both internal and external sources must be captured and shared in a form and timeframe that equips personnel to react quickly and efficiently. Effective communication would also involve the exchange of relevant data with external parties, such as customers, vendors, regulators and shareholders. Further, both historical and current data needs to be collected. Historical data tracks actual performance against target, identifies trends, correlate results and forecasts performance. Historical data also provides early warning signals concerning potential risk-related events. Current data gives management a real time view of risks inherent in a process, function or unit. This will enable the company to alter its activities as needed in keeping with its risk appetite.

Marksans needs to start preparing 'Risk Registers' as an immediate measure. The Risk Registers will be maintained at the level of each functional head for capturing comprehensively all risks in their respective functions. Each risk will be identified, categorized and assessed using the methodology as specified in this policy or in accordance with the established norms in the industry. The 'Risk Register' should contain the information in brief as suggested in **Annexure – B**.

8. Recording the Risk Management Process

Risk management activities must be traceable. In risk management process, records provide the foundation for improvement in methods and tools, as well as in the overall process. Decisions concerning the creation of records should take into account:

- The organization's need for continuous learning,
- Benefits of re-using information for management purposes,
- Costs and efforts involved in creating and maintaining records,
- Legal, regulatory and operational needs for records,
- Method of access, ease of retrieving and storage media,
- Retention Period, and
- Sensitivity of information

9. Maintenance of the Risk Management System

The Risk Cell and all the functional/department heads will be the key group which will work on an ongoing basis within the risk framework outlined in this policy to mitigate the risks to the Company's business as it may evolve over time. Effective maintenance of the system will require the following actions:

1. Identification

- a) The functional/department heads under the guidance of the Risk Cell will periodically identify risks and analyze the risks in terms of consequences, if the risk materializes.
- b) Among all the risks identified, the functional/department heads will prioritize and focus on key risks and their mitigation measures.

2. Evaluation and Control

- a) Identified risks will be assessed in terms of potential consequences and cost of impact
- b) Risks will be ranked in accordance with their likely impact.
- c) The acceptability of each identified risk will be assessed.
- d) Proposed actions to eliminate, reduce or manage each material risk will be considered and agreed.
- e) Responsibilities for the management of each risk will be assigned to appropriate staff in the department. Based on a cost/benefit assessment of a risk, as is undertaken, some risks may be judged as having to be accepted because it is believed that mitigation is not possible or warranted.



3. Monitoring

As the risk exposure of any business may undergo change from time to time due to continuous changing environment, the risk management process will be updated on a regular basis. The following process will be followed:

On an immediate basis

Escalation of risks which have substantial impact to the business and meet determined escalation tolerance levels to the the Risk Cell.

Quarterly

- Respective functional/department heads will review the status of risks and treatment actions with key staff in their respective areas.
- Any new or changed risks will be identified and escalated, if deemed necessary
- Respective functional/department heads will report to the Risk Cell in **Annexure - B**
- Risk Cell shall compile the reports received from all the functional/department heads and will submit a comprehensive report to the Risk Management Committee.
- Particular emphasis is to be given to risks with high ratings and their corrective actions

Annually

- The Risk Management Committee will report its collective findings annually.
- The Risk Management Plan will be subjected to annual audit by the Internal Auditor.

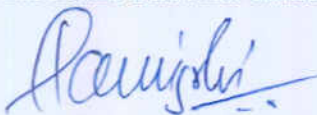
Everyone in the organization is responsible for the effective management of risk. All staff is responsible for identifying potential risks. Management is responsible for developing risk mitigation plans and implementing of risk reduction strategies. The risk management process will be integrated with other planning processes and management activities.

10. Review of the Policy

Risk management is viewed as central to the organization's management processes, such that risks are considered in terms of effect of uncertainty on objectives. The governance structure and process are based on the management of risks. Effective risk management is regarded by managers as essential for achievement of the organization's objectives.

The policy, being dynamic in nature, will be a guiding document for risk management at Marksans and will be reviewed as and when required based on experience gained or suggestion received.

For Marksans Pharma Limited


Harshavardhan Panigrahi
Company Secretary



1st April, 2019

Risk Assessment Techniques

Risk assessment is a fundamentally important part of the risk management process. In order to achieve a comprehensive risk management approach, organisation needs to undertake suitable and sufficient risk assessments. A range of the most common risk assessment techniques is set out in the table below for guidance.

Technique	Brief Description
Questionnaires and checklists	Use of structured questionnaires and checklists to collect information to assist with the recognition of the significant risks
Workshops and brainstorming	Collection and sharing of ideas and discussion of the events that could impact the objectives, stakeholders expectations or key dependencies.
Inspections and audits	Physical inspections of premises and activities and audit of compliances with established systems and procedures.
Flowchart and dependency analysis	Analysis of processes and operations within the organisation to identify critical components that are key to success.
Hazard and Operability Studies and Failure Modes Effects Analysis	These are quantitative technical failure analysis techniques
Strengths, Weaknesses, Opportunities and Threats and Political, Economic, Social, Technological, Legal and Environmental analysis	These offer structured approaches to risk recognition.

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



MARKSANS PHARMA LIMITED
Risk Assessment and Mitigation Report

Department:

Date:

Risk Title	
Risk Description	
Risk Priority ¹	
Impact ²	
Likelihood of Occurrence ³	
Mitigation measure chosen	
Risk response, treatment and mitigation undertaken at department level	
Results of the above	
Mitigation measures recommended for approval at higher level ⁴	
Remarks	

Instruction

1. Risk priority will be described as
 - Devastating / Extreme
 - Major / High
 - Tolerable / Moderate
 - Minor / Low
2. Impact will be analysed taking into consideration any kind of loss such as business loss, monetary loss, opportunity loss, quality issue or any other adverse effect on the business.
3. Likelihood of Occurrence will be described as
 - Most Likely
 - Likely
 - Less Likely
 - No
4. Risk which can not be controlled or mitigated at department level will be referred with recommendation/suggestion to the Risk Cell through the CFO for action.
5. The above reporting format may be suitably modified on case to case basis to effectively deal with any particular situation.

