MOREPEN LABORATORIES LIMITED

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RISK MANAGEMENT POLICY

1. INTRODUCTION

Morepen Laboratories Limited recognises risk management as an integral component of good Corporate Governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

Risk Management philosophy is to adopt an independent holistic approach to manage uncertainties from all quarters that is "enterprise-wide risk management".

Three critical elements on which the enterprise risk management framework is build; creating a clear direct line of sight from risk management to investor's value; implementing a process to protect investor's value; and building the organizational capability to ensure strategic risk management.

This ensures that risk management complements business objectives and strategies. The function assists in structuring technology, processes and assets in an advantageous manner, and the architecture so formed, is capable of tackling disruptions in the operational universe. It ensures that business development at all times is within parameters and regulations.

2. OBJECTIVE

The key objectives of this Risk Management Policy are:

- Identification and categorization of potential internal and external risks;
- Assessment and mitigation of risks;
- Monitor and assure business continuity

3. RISK MANAGEMENT COMMITTEE

3.1. Constitution:

In terms of Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director. 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.

3.2. Terms of reference of the Committee:

1. Formulation of a detailed risk management policy which shall include:
   a. 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 ('ESG') related risks), information, cyber security risks or any other risk as may be determined by the Committee.

b. Measures for risk mitigation including systems and processes for internal control of identified risks.
c. Business continuity plan.

2. Ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. Monitoring and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. Periodically review of the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. Keeping the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any)

3.3. Frequency of the Meetings

The risk management committee shall meet at least twice in a year. The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance. The meetings shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings

4. IDENTIFICATION OF RISKS

The Risk Management Policy aims to cover, amongst others, the following key areas / risks:

- **Strategic risks** – The key business decisions can have a significant impact on the long-term growth potential. Venturing into new areas is inevitable to meet strategic objectives and sustainability goals. However, such decisions come with a fair amount of risk. Additionally, the ever-changing economic policies may influence the strategies and performance of the Company. The Company should keep a close watch on the upcoming new policies and changes in the existing policies and adapt itself accordingly. Strategic decisions should be reviewed by all relevant internal stakeholders and run through a robust decision making process.

- **Operational risks** – Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may affect the operations of the Company. Given the scale of operations, even the slightest disturbance can have a significant impact on work force or revenue. With a goal of creating value, the Company recognizes that there are multiple focus areas to ensure smooth operations. The Company should therefore develop risk mitigation strategies for managing risks in each of the Business Operation areas.

- **Financial risks** – The financial risks relate to adequate liquidity for routine operations and availability of funds. It also includes the risks associated with the investments of the Company. The financial performance of its subsidiaries, associates and any other affiliates that may adversely affect the Company's results should be closely monitored. The Company works on an ongoing basis on cost reduction and process improvement exercises.

- **Regulatory risks** – Non-compliance to the applicable laws may result in liabilities and may affect the reputation of the Company. The Company has proper systems in place to prevent non-compliance of applicable laws. Further, the Company should constantly monitor and comply with the frequent changes in the domestic and global norms.

- **Technology risks** – The Company is committed to embracing new technologies to deliver superior products and solutions to its stakeholders. Adoption of new technology or being left behind in the era of evolving technologies is the primary risk that it monitors. However, even these are prone to risks associated with disaster preparedness, data security, information privacy, legal compliance, etc. The technology risks should be mitigated by continuous R&D initiatives of the Company, keeping abreast with the global changes, promoting entrepreneurial skills of the personnel and developing in-house solutions or procuring them.

- **Sustainability risks** – Economic, Social and Governance (ESG) risks are leading to significant disorders across many organizations however, some organizations also see it as a competitive advantage. Emerging global scenarios as the pandemic bring along serious uncertainties for businesses both in domestic as well as global markets. With a focus on long-term value creation, the Company identifies and closely monitors the risks under the ESG bucket. The organization should ensure timely escalation of critical risks and development of a suitable mitigation plan to manage those.

- **Cyber Security risks** – With an ever-increasing dependency on the IT networks, the Company has a significant focus on the Cyber Security threats. The Company identifies cyber security risks based on evolving threat situations. In recent times, the Cyber Security has been strengthened even more and the mitigation actions should be monitored periodically.

- **Business Continuity Planning (BCP)** – The Company recognizes the importance of BCP for the smooth running of business particularly during unfavourable times, including pandemic. The Company focuses on business continuity, both from a business operations sustainability viewpoint as well as employee welfare measures perspective.

5. METHODOLOGY

Morepen Laboratories Limited has adopted an enterprise wide framework that incorporates a system of risk oversight, risk management and internal control designed to identify, assess, monitor and manage risks. The Company applies risk management in a well-defined, integrated framework that promotes awareness of risks and an understanding of the company's risk tolerances. The Risk Management Policy/ Framework enables a systematic approach to risk identification, leverage of any opportunities and provides treatment strategies to manage, transfer and avoid risks.

6. RESPONSIBILITIES

While the ownership for identification of risk and for putting in place risk management measures would be shared by the Business function and the Risk Management function, the responsibility for compliance with the policy lies with the Risk Management Committee.

POLICY REVIEW

This Policy shall be reviewed by the Risk Management Committee and approved by the Board of Directors as and when required or at least once in two years and updated accordingly.

Effective from November, 2021
***Amended on 11th November, 2024.*