1. PREAMBLE:

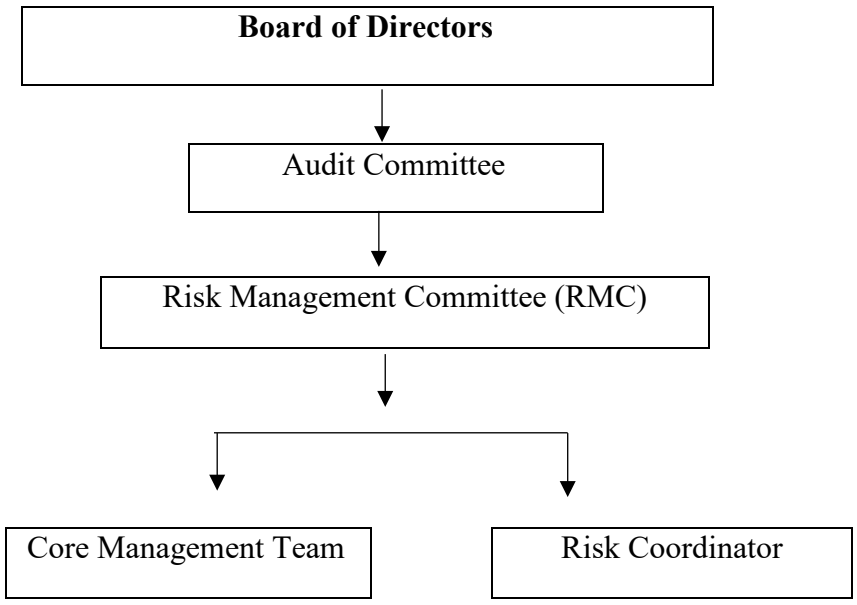
Risk is an integral part of the dynamic business environment. Risk is the probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action. Risk arises on account of uncertainty of occurrence and unknown consequences if the risk event were to occur. The degree of uncertainty or likelihood of occurrence and impact of the risk outcome combined together determine the magnitude of the risk.

2. OBJECTIVES:

The objective of this policy is to have a documented Risk Management Strategy in place, which provides a framework for identification, assessment, evaluation, mitigation and review of the risk categories on a periodic basis. This policy has been specifically designed, to achieve the following objectives:

a) Formulate a framework for identification of internal and external risks faced by company.
b) Measures for risk mitigation including systems and processes for internal control.
c) Define Business continuity plan.
d) Define framework for taking informed business decisions integrating risks to minimize adverse consequences of risks on business objectives.

3. RISK MANAGEMENT ORGANISATION STRUCTURE:



The roles & responsibilities of the above is as follows:

I. Role and Responsibilities of Risk Management Committee:

a) Formulate risk management policy including business continuity plan, monitor & oversee its implementation;
b) Frame and monitor Risk Management Plan;
c) Ensure methodology, processes and systems in place to monitor and evaluate risks;
d) Review risk management policy, every 2 years, considering changing industry dynamics and evolving complexity;
e) Appraise audit committee & board of directors about its discussions, recommendations and actions to be taken;
f) Maintain an aggregated view on risk profile and underlying business segments;
g) Appointment, removal and terms of remuneration of the Chief Risk Officer (CRO);
h) Constitute and monitor working of Core Management Team.

II. Role and Responsibilities of Core Management Team:

a) Identify and propose risks, evaluate criticality and formulate steps for mitigation;
b) Implement Risk Management Plan;
c) Review progress on mitigation action plan & its effectiveness;
d) Monitor movement of Key Risk Indicators (KRI) and endeavour to maintain them within the risk appetite;
e) In case any risk materialises, take appropriate actions as per the policy.

III. Risk Co-ordinator

a) Internal Audit incharge will act as Risk Co-ordinator and will report to CRO.
b) **Role and Responsibilities** –
i. Support Risk Owners in adhering to policy & Risk Management framework;
ii. Co-ordinate and schedule Core Management Committee meetings;
iii. Independently test the effectiveness of risk mitigation actions;
iv. Draft risk analysis, risk treatment and control mechanism in Risk Register;
v. Track actions proposed in the RMC and CMT meetings.

4. RISK MANAGEMENT FRAMEWORK:

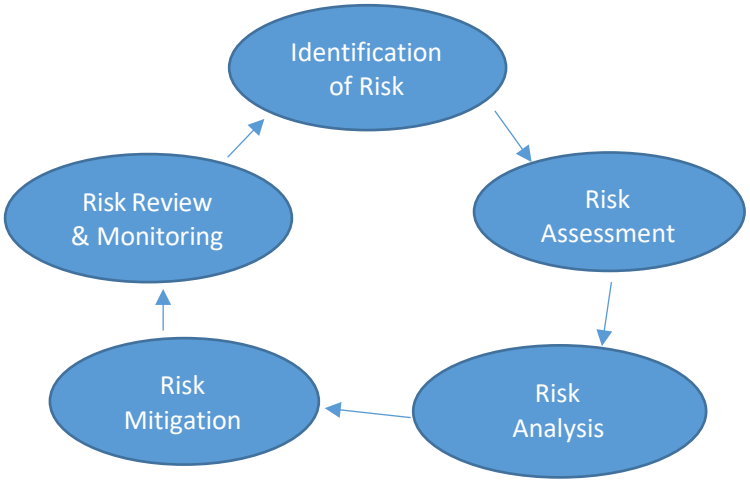
The Company has adopted Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2017 framework for its Enterprise Risk Management processes.

The Company's risk management framework sets the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management capability. Undertaking a periodic review to assess the effectiveness of the Company's risk management framework is necessary to ensure that the framework continues to evolve and meet the needs of the entity.

Integration of the Risk Management Framework with business objectives and monitoring effectiveness of the mitigation measures through a review of KRIs ensures effectiveness of the Risk Management Framework.

5. RISK MANAGEMENT PROCESS:

Risk Management is a continuous process that is accomplished throughout the life cycle of the organisation. Effective Risk Management covers risk management planning, early identification and analysis of risks, implementation of corrective actions, continuous monitoring & reassessment, and communication, documentation and coordination.



5.1.Risk Identification

The framework identifies internal and external risks faced by the Company including financial, operational, sectoral, sustainability (ESG related), information and cyber security risks. Strategic and operating risks are captured in risk register. Risk identification techniques are elaborated below:

Sources	Description
Internal Audit reports	Internal audit observations are evaluated to identify if any of those could pose a risk and mapped to the risk management framework wherever required
Peer Companies	On an annual basis, risks identified by the company and their mitigation measures are benchmarked with the risks and mitigation measures reported by peer entities in their Annual Reports to identify blind spots, if any and appropriate action taken to map them into the risk management framework wherever required
Whistle Blower mechanism	Learnings from investigations into whistle blower complaints also help to identify process gaps and risks.
Brainstorming	Perceived risks for a business are identified by key members of business teams through a brainstorming discussion every two years which acts as a platform to identify risks and opportunities
SWOT Analysis	During the preparation of the strategic plan, leadership team carries out a SWOT analysis and the weaknesses and threats identified during the said processes serve as inputs for risk identification
Scenario Analysis	Unprecedented or Unexpected events that have the potential to majorly impact the company's operations are evaluated by the Risk Management Committee on an annual basis

5.2.Risk Assessment & Analysis

Each of the identified risk is assessed on the twin factors of probability/ frequency and impact/ severity. The process of identifying the likelihood/frequency and impact/severity of risk events is a both quantitative and qualitative process of analysis. After finalizing the impact and the inherent risk is classified as under.

Risks	Description of Risk	Required Action
High	Event which can be tolerated but may have prolonged negative impact & extensive consequences	Continuous Active Management
Medium	Events which can be managed but requires additional resources and management efforts	Periodic monitoring
Low	Events, which can be managed/absorbed under normal operating conditions	No major concern

5.3.Risk Mitigation

Response to each of the identified risks are assessed in the context of Company's strategic direction and get suitably categorized into one of the following based on their linkage to the key strategic objectives of the Company:

a. Transfer
b. Avoid
c. Accept and absorb impact
d. Manage actively

Detailed mitigation action with timelines along with identified responsibilities for implementation are formulated for risks that are decided to be 'Managed Actively' as a response. Similarly, appropriate policies have been implemented to address the risk categories, mitigation whereof needs to be transferred.

Risks where the response is to either to "Accept and absorb impact" or "Avoid" are addressed as part of the company's strategy development framework in the context of the exposure management appetite that the Company may have for such risks.

5.4.Risk Review and Monitoring

A robust risk review and monitoring mechanism for the risk governance would be as follows:

a. Review with the Core Management Team and the CRO - All the risk registers to be reviewed annually in detail along with formulation of revised mitigation plan wherever required.
b. Review by the Executive Directors - Strategic and significant operating risks identified by each of the Risk owner will be reviewed annually in detail with the Executive Director responsible for operational oversight.

c. Review by the Risk Management Committee - The Risk Management Committee will identify every year, certain risks that are strategic from the corporate perspective which if not adequately addressed can have a major impact on the corporate performance. Such risks will be reviewed by the Risk Management Committee on an annual basis.
d. Review by the Audit Committee - Audit Committee shall review risk registers analysis presented by RMC.
e. Review by the Board of Directors - Update on mitigation measures against key risks will be submitted once in a year to the Board of Directors.

6. BUSINESS CONTINUTY PLAN:

Business continuity planning is the process involved in creating a system of either preventing or recovering effectively from the potential threats to company. The plan ensures that all assets of the company including people are protected and can function quickly in the event of a disaster. Effective implementation of Risk Management Policy can ensure continuity of business in all adverse scenarios. Business Continuity Planning shall be embedded in the Internal Controls and Core Management Team shall be responsible for laying out crisis response mechanism, communication protocols, and periodic training and competency building on crisis management.

The Core Management Team shall also conduct periodic disaster recovery mock drills to ensure that the organization is prepared to manage any crisis event quickly for business continuity.

7. POLICY REVISION:

Risks are ever changing in this volatile business environment and hence there is a need to periodically revisit the approach towards Risk management. Therefore, this policy shall be reviewed at least once in two years. Any revision to the policy shall be incorporated with the recommendation of Risk Management Committee & Audit Committee and approval of the Board of Directors.

****

Introduction

1. Ajanta Pharma's business, financial condition and results of operations are subject to certain risks that may impact its performance and ability to achieve its objectives.
2. Management lists and updates from time to time various factors that could cause Company's actual results to differ materially from expected and historical results.
3. It is recognised that there may be other risks beyond what is listed in this plan, which are not currently known to Management or are deemed immaterial by them, which may affect Company's performance.
4. Listing agreement with stock exchanges mandates identification, minimization and periodical review of risks and uncertainties.
5. This plan documents the overview of risk management approach, strategies adopted, Management's commitment and concrete plan for minimization / periodical review of all identified risks and uncertainties.

Risk Management Approach

1. Ajanta Pharma leverages its management insights to undertake proactive counter-measures to strengthen risk management across verticals, products, geographies and market cycles.
2. Company has implemented an Integrated Risk Management (IRM) approach through which it reviews and assesses significant risks on a regular basis to help ensure that there is a robust system of internal controls in place.
3. IRM includes policies, procedures, communication, training programmes, supervision, monitoring and escalating issues to senior management.
4. IRM helps Company to respond appropriately to risks and ensure compliance with applicable laws, regulations and internal policies.
5. IRM is in conformity with Company's strategic direction and consistent with stakeholders' risk appetite.
6. Senior management periodically reviews this risk management framework to keep updated and address emerging challenges.

Risk Identification

Management has relooked at the old plan and in line with the current environmental changes, identified following major risks for the Company, namely;

1. Regulatory Risks
2. Competition Risks
3. Supply Chain Disruption Risks
4. Cyber Security including Data Security Risks
5. Economic & Political Environment Risks
6. Environmental, Social & Governance (ESG) Risks
7. Risks of breach of internal controls & Ethics
8. Currency fluctuations Risks
9. Third Party Risks

Following paragraphs describes the identified risk, plan for mitigation or minimization of the same and process of review.

1. Regulatory Risks

Pharmaceutical industry is a highly regulated segment, covering entire spectrum of activities like, product development and approval, approval of manufacturing facilities, price controls, etc. Hence, the regulatory risk is one of the significant risks identified by the management, some of them being:

a) Variation in prescribed quality standards has the risk of denial or cancellation of regulatory approvals for product / manufacturing facilities which may affect business operations adversely.
b) Product quality failure have the risk of impacting Company's reputation, give rise to litigation and financial consequences for the Company.
c) Infringement of intellectual property rights of other pharmaceutical companies has the risk of restricting Company's revenue and/or impacting profitability.
d) Any claim regarding packing material not approved by FDA can give rise to litigation.
e) Suspension of authorisation for products and production facilities may result in delayed or denied approvals for new products, resulting in potential loss of business.

f) Changes in laws, regulations, litigation, governmental investigations, sanctions, etc. may result in potential business disruptions.
g) Non-compliance with applicable laws may lead to civil and criminal actions against the Company and/or its officers, risking the business continuity.
h) Pharmaceutical products are subject to price controls in many markets around the world, with some governments intervening directly in setting prices. Price ceiling on company's products restricts its ability to make reasonable margins on the product, impacting returns on investment.
i) Noncompliance of Insider trading regulations and Frauds by employees can impact the reputation of the company.

Risk mitigation measures

Company has adopted a multipronged strategy to manage these risks like,

a) Adopted Quality Management System (QMS) defining corporate quality standards and systems covering complete life cycle of products from R&D to mature commercial supply.
b) Implemented risk-based approach to assessing and managing third-party suppliers risk. Contract manufacturers making Company products are audited to help assure expected standards are met.
c) 'Product Liability Insurance' wherever necessary to safeguard against customer claims.
d) Respecting patent of other companies and file products for registration only when it is sure that its product is not infringing the existing patent of others.
e) The IP team validates all claims about packing material on labels & inserts before finalizing them and are approved by FDA.
f) Detailed Standard Operating Procedure (SOP) for every important activity.
g) Robust IT framework for compliance, monitoring and documentation.
h) Continuous assessment of changes in regulatory frameworks and its impact on the company.
i) Esscom, a Special software implemented for tracking violation of insiders.
j) Whistle blower policy & regular internal audits ensures prevention of frauds.

2. Competition Risks

Being a global pharmaceutical player, selling branded generic and generic formulations across the globe, competition and price pressures are common risk in all markets. Counterfeit pharmaceutical products can erode consumer trust and pose safety risks, impacting market share. Competitors may poach key talent, including researchers and executives, impacting innovation and company performance.

Risk mitigation measures

a) Steady launch of differentiated, specialty, complex generics, first-to-file products.
b) Improve operational efficiencies to rationalize costs.
c) Implement enhanced customer relationship management through outreach programs in different markets.
d) Implementing serialization and track-and-trace technologies to prevent counterfeiting.
e) Cultivate a positive work culture and offer opportunities for innovation and research.

3. Supply Chain Disruptions Risks

With the recent experience of Covid-19 pandemic, management has identified supply chain disruption as a major risk. This includes procurement, manufacturing & delivery of final products.

a. Company procures its raw material, packing material and other services both from within the country and outside the country. Disruption in supply chain can impact production plan as well as prices of critical materials, thereby impacting the market deliveries and costs.
b. Company operates from seven own manufacturing plants and more than 50 third party locations. Any disruptions in the manufacturing due to non-availability of material, labour, infrastructure, utilities, etc. may impact company's commitment for supplies.
c. Company's products are made available across the countries and world. Any supply chain disruption can delay the deliveries to the market and increase the cost which will impact potential revenue and profitability of the company.

Risk mitigation measures

a. Alternate vendors are developed for critical material so as to cap unusual rise in prices. Share of business are reviewed for mitigating risks of dependency on single vendors.
b. Inventory of critical materials to be increased as per the requirement looking at dynamic market conditions.
c. Keeping ready contingency plan for any unforeseen events at own manufacturing locations. Close monitoring of all contract manufacturers for their operational issues and intervening wherever necessary.
d. Close monitoring of movement of finished products to reach the destination including assistance from Government authorities. Also keep close coordination with agencies involved in outward supply chain logistics.
e. Develop alternative logistics plans to reroute shipments during disruptions

4. Cyber Security including Data Security Risks

The company faces the risk of unauthorized access, disclosure, modification or destruction of its data both from internal as well as external sources. Cyber threats and Data security breach can result in increased internal and external security threats, leading to business disruption, reputational damages and litigations. Phishing attacks can target employees to gain unauthorised access to sensitive data

Risk mitigation measures

a) Encrypted Passwords, restricted access to Router and Firewall connections, updated IOS, backup, firewalls at perimeter of network to segregate Internal & external networks and permit access based upon business need only.
b) Documented Antivirus policy, updated licensed software on all PC, real-time scan, protected configuration settings, incoming outgoing mail attachments are automatically scanned for virus.
c) Implement email filtering and authentication to detect and block phishing emails and regularly update patch software to address vulnerabilities
d) Vulnerability assessment to maintain a robust company-wide information security framework.

e) Documented Backup policy and procedures, Backup schedules for all servers, data, alternate location including disaster recovery.
f) Company has put in place a security system and has engaged an outside agency to prevent unauthorised access to the IT network of the Company.
g) The access to different data base of the Company to its employees is restricted as per their authority and responsibility to ensure desired level of access to information.

5. Economic & Political Environment Risks

Company's operations span across different countries across the globe having diverse political and economic environment. Any adverse change in this may impact Company's business with that country adversely, like

a. Risk of political instability leading to policy uncertainty, tariff/ trade wars, economic sanctions, leading to weakening of Global economy.
b. Pandemics like Covid-19 can result in disruption of supply chains, movement of workforce and markets, which has the potential of negative impacts on business.

Risk mitigation measures

a) Continuously evaluates political and economic scenario across the globe and restricting overall exposure to identified countries in terms of sales and invested capital.
b) Focus on ensuring proper business continuity and recovery plans based on various scenarios by instituting a Disaster Recovery Plan (DRP).

6. Environmental, Social & Governance (ESG) Risks

ESG has gained lot of importance in recent past. Company is complying with all the regulations, but there are risks relating to this area in case of any slippage in the prescribed norms with respect to emission controls, waste management and hazardous materials handling in the form of injuries, deaths, closure of units, penalties, fines, etc. There can also be risk of reputation among customers, investors, communities, etc.

Risk mitigation measures

a. Regular monitoring of ESG parameters for compliance and taking corrective actions where needed. Company has robust system for monitoring all parameters.
b. Enhance use of renewable energy at all locations. Company has already embarked on putting up solar energy plants at different locations.
c. Involving communities under various initiatives under CSR front for inclusive development and for upliftment of socio economically backward communities.
d. During the year Company has been certified as ISO 14001 (Environmental Management System) and 45001 (Occupational Health and Safety) compliant.
e. Additional death cover term insurance taken for all employees.

7. Risk of breach in Internal controls & Ethics

As the organisation grows, there are possibilities of gaps in internal control system arising inadvertently or being created by internal persons breaching the ethics for individual benefits. This may lead to unexpected loss, be it financial, reputational, or otherwise. Few examples can be:

a. Hand in glove between suppliers and company employee submitting invoices for goods or services that were never provided or short provided.
b. Employees stealing inventory, especially high-value or controlled substances, for resale or personal use.
c. Employees indulge in doing business or other commercial activities while on payroll.
d. New recruits without proper background check can misuse business information or sabotage Company image.

Risk mitigation measures

a. Regular audits, surprise checks and real time reporting to prevent and detect fraudulent activities.
b. Established whistleblowing mechanism to report suspicious activities without fear of retaliation.
c. Leverage data analytics, AI, and blockchain to monitor transactions, detect anomalies, and enhance supply chain transparency.
d. Background check made mandatory for managers & above and for all Expats.

8. Currency Fluctuation Risks

Exchange rate fluctuations could significantly impact earnings as export invoicing is in US dollar and Euro and there are imports & expenditures in foreign currencies.

Risk mitigation measures

a. Company has laid down a robust foreign exchange risk policy which is reviewed by senior management for managing the risks in a systematic manner, including regular monitoring of exposures, guidance from market experts, hedging of exposures, etc.
b. There is also a Forex Risk management committee which regularly monitors the foreign exchange exposure of the Company.

9. Third Party Risks

Company faces risks arising from external entities such as suppliers, contractors and service providers that may impact its operations, compliance, or reputation.

Risk mitigation measures

a. Company has implemented robust quality control measures such as regular audits, inspections and compliance checks of third-party partners.
b. Company also has implemented contingency plans and alternative suppliers to mitigate any risks from third parties.

Artificial Intelligence

Artificial intelligence (AI) is driving significant disruption in every industry, transforming how companies conduct and manage operations like supply chain, marketing, production, maintenance, etc. The integration of AI will create opportunities for innovation, efficiency but also poses challenges regarding privacy, ethics, compliance, biasness that need to be addressed.

The company currently is not affected by these risks, however as the company grows these risks will be addressed appropriately.

Final Remarks

It is an accepted and understood fact that risks are inherent to business and can arise from diverse aspects of business. It is also understood that there is no way by which Company can identify every risk it faces. However, the processes and internal controls have been put in place across the organisation and across the functions to ensure smooth operations and least impact of risks and uncertainties arising in the business. Many risks like natural calamities, pandemics, claims, etc. are being mitigated through appropriate insurance and other available measures. Still, it is not possible for the Company to implement controls to adequately respond to all the risks that it may face and there can be no complete assurance that steps that the company undertakes to mitigate certain risks, will manage these risks effectively. Company continuously strives and aims to keep itsself protected from risks and uncertainties and have least impact on its performance.