ORCHID PHARMA LIMITED- RISK MANAGEMENT POLICY

(Last Amended on November 11, 2022)

INTRODUCTION

The Directors and Management of Orchid Pharma Limited and its controlled entities ("Company") view risk management as integral to their objective of effective management of Company assets and creating and maintaining shareholder value. The business activities of the Company carry various internal and external risks. The Company's risk management policy provides the framework to manage the risks associated with its activities. It is designed to identify, assess, monitor and manage risk.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources. Effective risk management requires a strategic focus, forward thinking and active approaches to management, Balance between the cost of managing risk and the anticipated benefits, and Contingency planning in the event that critical threats are realized.

LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems. In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" (this Policy) of the Company.

OBJECTIVE

The objective of the risk management policy document is to ensure that the company has proper and continuous risk identification and management process. This process will generally involve the following steps.

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management;
- Selecting the appropriate risk management approaches and transferring or avoiding those risks that the business is not willing or competent to manage;
- Implementing controls to manage the remaining risks and
- Monitoring the effectiveness of risk management approaches and controls;

KEY DEFINITIONS

- **Risk Assessment** – The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks

- **Risk Management** – The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

- **Risk Management Process** - The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

APPLICABILITY

This Policy applies to all of the Company's operations.

RISK MANAGEMENT

A first step in the process of managing risk is to identify potential risks. The risks must then be assessed as to their potential severity of loss and to the probability of occurrence.

Possible actions:

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of the following categories.

(a) Risk avoidance:
This includes not performing an activity that could carry risk.

(b) Risk reduction:
This involves steps to reduce the severity of the loss by taking some steps.

(c) Risk retention:
Risk retention is a viable strategy for small risks where the cost of insuring would be greater over time than the total losses sustained.

(d) Risk transfer:

Means transfer of risk to another party by entering into a contract, e.g. insurance cover, hedging instruments etc. Depending on the risk assessment, severity and probability of occurrence, company may adopt one or more of the methods to minimize or mitigate the risk.

RISK RESPONSIBILITY

The Board of the Company is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems.

Risk Management Committee

The Company has a committee of the Board, namely, the Risk Management Committee, which was constituted with the overall responsibility of overseeing and reviewing risk management across the Company.

The terms of reference of the Risk Management Committee are as follows:

- The Risk Management Committee shall formulate a detailed risk management policy which shall include:

  (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, 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.

- The Risk Management Committee shall monitor and review the risk management plan/processes of the Company and ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities

- The Risk Management Committee shall take steps to identify and mitigate Information Technology and Cyber Security Risks that the Company is or may be exposed to, on a regular basis

- The Risk Management Committee ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company

- The Risk Management Committee shall monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems

- The Risk Management Committee shall periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity

- The Risk Management Committee shall keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken

- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

- The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

- The Risk Management Committee shall assess the Company's risk profile and key areas of risk in particular.

- The Risk Management Committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner

- The Risk Management Committee shall recommend the Board and adoption of risk assessment and rating procedures.

- The Risk Management Committee shall articulate the Company's policy for the oversight and management of business risks

- The Risk Management Committee shall examine and determine the sufficiency of the Company's internal processes for reporting on and managing key risk areas.

- The Risk Management Committee shall develop and implement a risk management framework and internal control system

- The Risk Management Committee shall review the annual risk management framework to ensure that it is comprehensive & well developed, to periodically review the process for systematic identification and assessment of the business risks, to assess the critical risk exposures by specialised analysis and quality reviews and report to the Board the details of any significant development relating to these including the steps being taken to manage the exposures, review the risks associated with cyber security, identify and make recommendations to the Board, to the extent necessary on resources and staffing required for an effective risk management

- The Risk Management Committee shall report the trends on the Company's risk profile, reports on specific risks and the status of the risk management process and make regular reports to the Board including with respect to risk management and minimization procedures.

- Such other functions as the Board of Directors may deem fit.

SENIOR MANAGEMENT RISK REVIEW

The Senior Management team is responsible for:

(a) Implementation of the principles, actions and requirements of the risk management plan and monitoring its implementation within the Company;

(b) provision of the necessary tools and resources to identify and manage risks;

(c) review of risks on at least a quarterly basis, including identification of new risks, changes to existing risks and retirement of previously identified risks (through a formal decision making process);

(d) the manner in which ownership of risks is taken by managers or others in accordance with function or expertise;

(e) regular reporting of the status or risk items to the audit and risk committee and the board;

(f) appraisal of risk owners' actions taken to manage risk and correction of inappropriate performance;

(g) internal compliance and control systems for the implementation of the risk management plan;

(h) Consideration of non-financial audits; and

(i) Compliance with regulatory requirements and best practice

Identification of risks	
External risk factors - Economic Environment and market conditions, political environment and competition	International operations risk
Inflation and Cost structure	IP risk
Technology Obsolescence	Employee turnover risk
Fluctuations in Foreign Exchange-	Credit risks
Concentration risk	Treasury/Foreign exchange risk
Competition risk	Legal risk
Price risk	Internal risk factors - Contractual Compliance, Operational Efficiency Hurdles in optimum use of resources

Assessment of Effectiveness

The Company assesses the effectiveness of its risk management plan through structured continuous improvement processes to ensure risks and controls are continually monitored and reviewed. This includes appraisal of risk owners' actions taken to manage risks.

Reporting

The Company ensures that the Audit committee and the Board are adequately informed of significant risk management issues and the actions undertaken to manage risks on a regular basis.

Review

This Policy shall be reviewed once in two years or as and when it deems necessary under the amendments in accordance to the provisions of the Companies Act 2013 and the SEBI Listing Regulations to ensure it meets the requirements of legislation and the needs of organization.

Amendment

This Policy can be amended at any time by the Board of Directors of the Company.

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