



## **RISK MANAGEMENT POLICY**

### **Introduction:**

The SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, it is mandatory for top 500 listed entities determined based on market capitalization, as at the end of immediate previous Financial year, to constitute Risk Management Committee by the Board of Directors of the Company and to lay down procedures to inform the Board of Directors about the Risk Assessment and Minimization procedures. The procedures need to be reviewed periodically to ensure that executive management of the Company controls risk(s) through various means of a properly defined framework.

Any chance or a possibility of danger, loss, injury or other adverse consequences is dictionary meaning of the word "Risk". Whereas, the Risk Management is an attempt to identify and then manage threats that could severely interrupt the business operations of the Company. The Risk Management Committee will review operations of the organization, identifying the potential threats, its probability of occurrence, impact in terms of value and reputation and then taking desired actions to address the most likely threats identified and reported to the Audit Committee and Board of Directors for review, discussion and informed decision to mitigate it.

Section 177 of the Companies Act, 2013 has defined the terms of reference for Audit Committee and one of the terms of reference is to evaluate internal financial controls and risk management systems.

### **Primary Objectives:**

Natco Pharma Limited ("the Company") considers on going risk management to be a core component of the management of the Company and understands that the Company's ability to identify and address all risks is utmost important to achieve the goals of the Company.

The Risk Management Committee is a Committee constituted by the Board of Directors of the Company with effect from 1<sup>st</sup> April, 2019 with following primary responsibilities:

- To discuss Company's Enterprise Risk Management and to provide oversight;
- To appraise the most significant risks along with the action plans to mitigate; and
- To review disclosure statement in any public documents or disclosures.



### **Composition:**

At present the Risk Management Committee comprises of following members

#### **Directors:**

- 1) Sri V.C. Nannapaneni, Chairman & Managing Director
- 2) Sri Rajeev Nannapaneni, Vice Chairman & Chief Executive Officer
- 3) Sri P.S.R.K. Prasad, Director & Executive Vice President (Corporate Engineering Services)
- 4) Dr. D. Linga Rao, Director & President (Technical Affairs)
- 5) Sri Lakshminarayana Bolisetty, Independent Director

#### **Other Members:**

- 6) Dr. M. Pulla Reddy, Executive Vice President – R&D.
- 7) Sri S.V.V.N. Appa Rao – Chief Financial Officer
- 8) Sri A. Lakshminarayana, Senior Vice President – HR & OD
- 9) Sri Bhimrao Dattu Jadhav – Senior Vice President – Operations (Formulations)

### **Secretary:**

The Company Secretary shall act as a secretary to the Committee.

### **Risk Identification:**

The Senior Management of the Company should identify the risks impacting the Company's business and document their process of risk identification, risk minimization and risk optimization as a part of risk management strategy.

The Head of the respective departments within the Company shall be responsible for implementation of the risk management system as may be applicable to their areas of functioning and report to the Risk Management Committee.

Risk is an integral and unavoidable component of any business and the Company is committed to manage various risks in a proactive and effective manner.



The Company believes that the risks cannot be eliminated, however, it can be:

- Transferred, by buying an insurance policy or entering into forward contract;
- Reduced, by ensuring effective internal controls;
- Avoided, by not entering into risky businesses;
- Retained, by owning the risk;
- Shared, by following right strategy to own and transfer the risks.

Today in challenging competitive environment, strategy for mitigating inherent risks in accomplishing the growth plans of the Company is imperative. The common risks, interalia are, changes in the law, rules and regulations, competition, business risks, environmental risks technology obsolescence, investments, retention of talent and expansion of facilities. Business risks further include financial risk, political risk, fidelity risk, etc.

The Risk Management Committee will review and monitor various risks identified, based on their impact and significance.

The Chief Financial Officer has been appointed as Chief Risk Officer, who shall evaluate various risks identified based on the recommendation of Risk Management Committee.

The Risk Management Committee will also suggest the action plans to mitigate critical risks, whereas the risks that are not significant enough shall be dropped for further attention. The objective is to reduce the loss or injury arising out of various risk exposures.

### **Risk Management Framework:**

Risk assessment will be at all levels of the organization, viz., Enterprise level, Division level, Unit level, Subsidiary and JV level. At the assessment level, various risks are being identified considering their likelihood and impact on the business of the Company, which shall work as the basis for determining how they should be managed. It will be a result of a detailed study of threats and resultant exposures to various risks. Effective strategies for exploiting opportunities are being evolved by identifying key risks and plans for managing it.

The following are the broad areas to determine the various risks, their probability and available data in the public domain.

1. Economic conditions;
2. Environment related risks;
3. Market related risks;



4. Fluctuations in foreign exchange based on the exposures;
5. Political developments and likely changes in major policies of the Government;
6. Inflation and cost structures;
7. Technological obsolescence;
8. Financial reporting risks;
9. Corporate accounting fraud;
10. Legal risks, includes compliance with local laws, rules and regulations;
11. Challenges to the quality of products;
12. Project quality, implementation and delayed commissioning;
13. Human Resources Management, local cultures and values, etc.

### **Oversight:**

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by the Risk Management Committee and Senior Management of the Company. The Risk Management Committee or the management of the Company may also refer particular issues to the Board for final consideration and necessary direction to the concerned.

### **Risk Management Committee:**

The Risk Management Committee shall be responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and shall provide a regular report to the Board of Directors on the effectiveness of the risk management programme in identifying and addressing material business risks. To achieve these objectives, the Risk Management Committee shall:

1. To formulate, recommend, implement, monitor and review the Risk Management Plan/policies/frameworks/models and report to the Board.
2. To examine and determine the sufficiency of the Company's internal processes/controls/procedures for reporting and managing key risk areas.
3. To assist the Board in the discharge of its duties relating to corporate accountability, cyber security, financial results and associated risks in terms of management assurance and reporting.
4. To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level.
5. Any other terms of reference specified in writing by the Board of Directors from time to time and to do all such things that are necessary and incidental thereto.



### **Senior Management:**

The Company's Senior Management shall design and implement risk management and internal control systems identifying material risks for the Company and taking necessary measures. Management of the Company shall implement the action plans developed to address material business risks across the Company and each of the business units.

The Senior Management shall regularly meet and evaluate the effectiveness of the action plans and the performance of employees in implementing actions plan as deemed appropriate. It should also ensure the compliance with the internal risk control systems and processes by the concerned employees.

### **Employees:**

All employees of the Company shall adhere and take necessary actions proposed to manage the risks associated with their functional area(s).

### **Review of Policy:**

The Risk Management Committee shall at least once in a year review the policy and may make necessary suggestions for any changes with the due intimation to the Board of Directors.

### **Disclaimer:**

The Management cautions the readers that though robust policy, systems and processes may result into addressing the proper action plan to mitigate the risks; they are not experts and the readers shall exercise their own judgment/assessment before entering into any transaction with the Company.

*Amended by the Board of Directors at their meeting held on 28<sup>th</sup> May, 2025*