

RISK MANAGEMENT POLICY

ZENEX ANIMAL HEALTH INDIA PRIVATE LIMITED

Authorization:

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Review & Amendment Log:

Version	Modification Date	Section	Amendment / Modification /	Brief Description of Change / Review
	23.05.24	Risk Management Committee	Modification	Change in the Constitution of Risk Management Committee

Introduction:

Risk is an integral and an unavoidable component of any business and in today's challenging and competitive environment, strategy for mitigating inherent risks to accomplish the growth plans of the business is imperative.

Zenex Animal Health India Private Limited ("**Zenex**" or "**the Company**") believes that systematic risk management ensures effective navigation to achieve business objectives and enable sustainable growth in a volatile and complex environment. The Company's risk management framework has been designed to identify, monitor and minimise the adverse impact of strategic, operational, financial and compliance risks faced by it. The Company's risk management framework ensures a consistent, collaborative, and comprehensive approach to identify, prioritize, respond and monitor various kinds of risks and report the same to the Board of Directors ("**the Board**") for review and discussion and enable them to take informed decisions and suggest actions to mitigate those risks.

The procedures of assessment of risk and ways to minimize it need to be reviewed periodically to ensure that senior management of the Company controls risk through various means of a properly defined framework.

Primary Objectives:

The primary objective of risk management framework is to ensure a sustainable business growth with stability by establishing a structured and comprehensive approach to risk management at Zenex. The Company considers and understands that its ability to identify and address all risks is utmost important to achieve the goals of the Company.

Risk Identification:

The Senior Management of the Company should identify the risks impacting the Company's business and document the 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 ("RMC").

The following are the broad areas under which various risks may be identified and their probability of occurrence may be assigned, basis the information available in the public domain or with the company, if such information pertains to the Company itself.

1. Economic conditions (global as well as the countries in which the Company has operations),
2. Political developments and likely changes in major policies of the Governments of the countries in which the Company operates,

3. Market related risks,
4. Environmental, Social and Governance (ESG) factors,
5. Outbreak of Global Pandemic like Covid-19,
6. Fluctuations in rates of the Company's functional currencies in respective markets vis-à-vis global currencies like US Dollars or Euro,
7. Inflation and cost structures,
8. Technological obsolescence,
9. Vulnerabilities in digital infrastructure and Cyber threats,
10. Financial reporting,
11. Corporate accounting fraud,
12. Compliance with local laws, rules and regulations,
13. Delay in approval of critical new products, impacting future growth prospects
14. Challenges with respect to maintaining the quality of products and services,
15. Project quality, implementation and delay in commissioning,
16. Human resources management, local cultures and values.

Risk Assessment and Analysis:

Risk assessment is the process of profiling and prioritization of various risks.

Likelihood and impact of risk events should be assessed for the purpose of analyzing the criticality at all levels of the organization, viz., company level or division level and unit or location level. The likelihood of occurrence of a risk should be determined based on number of past incidences in the industry, previous experiences of the Company, future likely trends judged based on internal analysis and / or external research. Such analysis should be done taking the existing controls into consideration. The impact of the risk should be evaluated in terms of the financial implications of the risk (on current and future revenues and profits of the Company) and also several non-financial implications like image and reputation of the Company.

Those risks that have a high likelihood of occurrence or significant impact or where there is a limited ability for mitigation by the Company should be rated “High”. Risks which have medium likelihood of occurrence or medium impact should be rated “Medium”, while all other risks should be rated “Low”.

Risk events assessed and rated as “High” must have risk mitigation strategy and a properly laid out plan for its implementation; while “Medium” and “Low” risk events need to be tracked and monitored as a watch list.

Detailed guidelines and criteria for rating and categorization of risks into “High”, “Medium” and “Low” will be formulated by RMC.

Risk Mitigation:

The Company believes that while not all risks can be eliminated, they can either be:

- transferred, by buying an insurance policy or entering into forward contract, or
- shared, by following right strategy to own and transfer the risks, or
- retained, by owning the risk and still reducing their impact by ensuring effective internal controls.

The Company’s risk management framework has been designed to manage any adverse impact of strategic, operational, financial, and compliance risks faced by it. The Company’s risk management framework adopts appropriate risk mitigation measures for identified risks across functions. Risk mitigation actions are undertaken by Senior Management responsible for treating risks appropriately in a time-bound manner and the progress of risk mitigation actions shall be reviewed periodically by RMC.

Oversight:

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

Risk Management Committee:

a) Composition:

The RMC shall comprise of the following members:

1. Mr. Sushil Mehta, Chairperson
2. Dr. Arun Atrey, Member,
3. Dr. Sujit Kumar, Member,

4. Dr. Mrigen Dutta, Member,
5. Dr. Rupesh Rane, Member,
6. Mr. Vishal Shah, Chief Financial Officer,
7. Mr. Manohar Bhavsar, Member

b) Roles & Responsibilities:

The RMC shall be responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and shall keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken and provide a regular report to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve these objectives, the RMC shall:

1. monitor the implementation of action plans developed to address material business risks and regularly review the progress of action plans;
2. ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. monitor the internal processes and systems to control the implementation of action plans;
4. evaluate the performance of the management in managing the risks;
5. monitor and oversee implementation of the risk management policy, including evaluation of the adequacy of risk management systems;
6. provide management and employees with the necessary tools and resources to identify and manage the risks;
7. review and update the list of material business risks;
8. report periodically to the Board on the status of material business risks;
9. ensure compliance with regulatory requirements and the best practices with respect to risk management;
10. decide on the appointment, removal and terms of the Chief Risk Officer;
11. periodically review the risk management policy, at least once in two financial years including by considering the changing industry dynamics and evolving complexity
12. review disclosure statement in any public documents or disclosures.

c) Secretary:

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

Risk Control and Monitoring:

The RMC shall meet once a year, to review and monitor various risks identified based on their impact and significance. The Chief Financial Officer shall be appointed as the Chief Risk Officer as well, who will evaluate various risks identified based on the recommendation of RMC.

Quorum for the RMC meeting shall be either two members or one third of the members of the RMC, whichever is higher. The meetings of the RMC can be held either physically or virtually.

The RMC will also suggest the action plans to mitigate high rated risks, whereas the risks that are not significant enough (medium and low) shall be kept on a watch list to ensure that if the likelihood or impact rating of some of these risks increases, their mitigation plan is made and implemented in a timely manner.

Risk Reporting:

All the identified risks will be included in risk register and the Company will monitor, evaluate and respond to all the identified risks. However, only the “High” rated risks may be reported to the Board.

Senior Management:

a) Definition:

Senior Management shall mean officers / personnel of the Company who are members of its core management team excluding its board of directors and would comprise all members of the management one level below the Managing Director of the Company.

b) Roles & Responsibilities:

The Company’s Senior Management shall design and implement risk management plan, internal control systems and business continuity plan. Senior 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 designed for risk mitigation and the performance of employees in implementing such action plans as appropriate.

Employees:

All the employees of the Company shall adhere and take necessary actions proposed to manage the risks.

Power to seek information:

RMC shall have powers to seek information from any of the employees, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, as it considers necessary.

Review of Policy:

The RMC shall review this policy at least once in two financial years and make suggestions for any change to the Board.