Risk Governance Structure

The independent Risk Management Committee (RMC), constituted by the Board of Directors guides the Enterprise Risk Management (ERM) function and assess the occurrence and impact of risks. The ERM is tasked with ensuring that appropriate systems and processes are in place to monitor and evaluate risks associated with our business, monitoring the implementation of our Risk Management Policy and evaluating effectiveness of our systems. The RMC also conducts quarterly reviews of the Enterprise Risk Management framework and updates the Board on the evolving risk landscape and actions to be taken[30]. At the operational level, we have dedicated frontline risk coordinators whose primary responsibility is to manage and coordinate all risk management activities. The risk coordinators undertake regular reviews of the risk register to ensure adequate coverage of all respective business and support functions. They also facilitate and provide support to respective functions to identify, assess, prioritise, document, monitor, and report on potential and actual risks. Further, they maintain direct oversight of the current status of all risks, track the progress of the implemented mitigation plan, and submit periodic findings and updates to our Enterprise Risk Management (ERM) team.

The risk coordinators are supported by function heads, constituting the second line of operational risk management. Function heads are primarily responsible for identifying, assessing, and managing risks pertaining to their function. They undertake periodic meetings to monitor trends and factors under their respective functional areas that impact our risk profile, communicate internally on findings, and ensure the same is updated in risk register. Regular reviews of function-specific risk registers are also undertaken to assess the need to include any new risks. Function heads also evaluate the effectiveness of existing mitigation measures and implement additional actions for reduced risk exposure. Our ERM team maintains and monitors the risk register for all business and support functions.

They are responsible for ensuring the adequacy of our risk management processes and its implementation. They also track the progress of mitigation measures for significant risks. Risk reports are regularly prepared by the team and submitted to the RMC.

Our Internal Audit team led by the Head of Global Internal Audit acts as the third line of defense by assessing the operational effectiveness of our policies, and recommending improvements through periodic internal audits.

Through our materiality assessment process, we capture stakeholder feedback on important sustainability topics for our business, enabling management to integrate external perspectives while evaluating the risk register and developing risk responses. We also review and evaluate our material topics annually with senior management to monitor and evaluate changes in global macroeconomic trends, business landscape, or strategic priorities, ensuring appropriate adjustments to our risk priorities.

Risk Management Approach

We promptly address new risks and review existing ones at least biannually or more often if needed. In case of an adverse incident, management quickly informs relevant stakeholders. Depending on the severity of the event, updates are shared with the Board. Every six months, the Risk Management Committee is briefed on critical and high risks, ensuring a proactive and transparent risk management approach.

Risk Identification
Functional heads identify internal and external events that may impact the Company's operations. These risks are documented in a risk register, detailing their descriptions, causes, and mitigation strategies.

Risk Assessment and Prioritisation
Identified risks are assessed/rated for their likelihood and impact based on Company's risk appetite by senior management, using both quantitative and qualitative methods. The organisation then prioritises significant risks to develop an effective mitigation strategy.

Risk Response
Respective function heads develop mitigation strategies, along with clear action plans with timelines, and present them to senior management for approval. The activity or situation posing a risk may be reduced, accepted, shared, transferred, or avoided depending on the facts and circumstances.

Risk Reporting
The ERM team and respective risk coordinators/ functional heads review all risks. Key risks are periodically reported to the senior management.

Risk Monitoring
Management has defined a periodic process for reviewing risks and their mitigation plans. The RMC periodically evaluates the status of action plans for key risks, as agreed upon with risk coordinators/ function heads.

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[30]For detailed information about the roles and responsibilities of each stakeholder, please refer to the Company's synopsis of Enterprise Risk Management Policy available at https://sunpharma.com/wp-content/uploads/2024/07/2024-05-21-Risk-Management-Policy-Synopsis.pdf