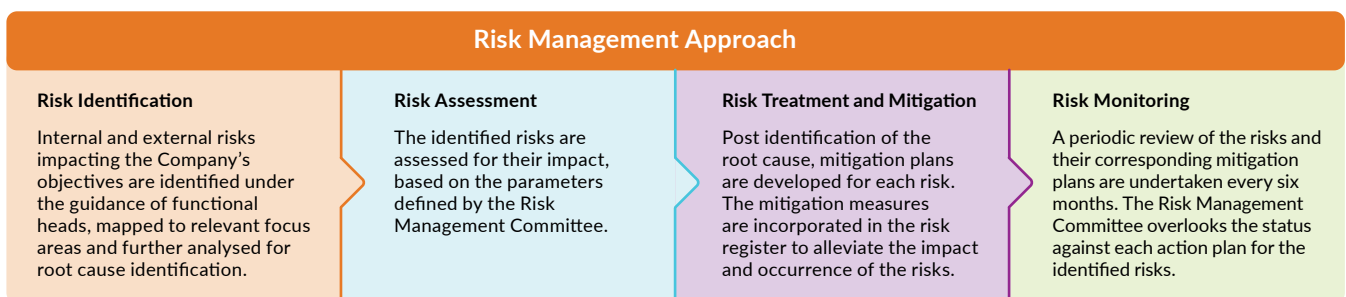
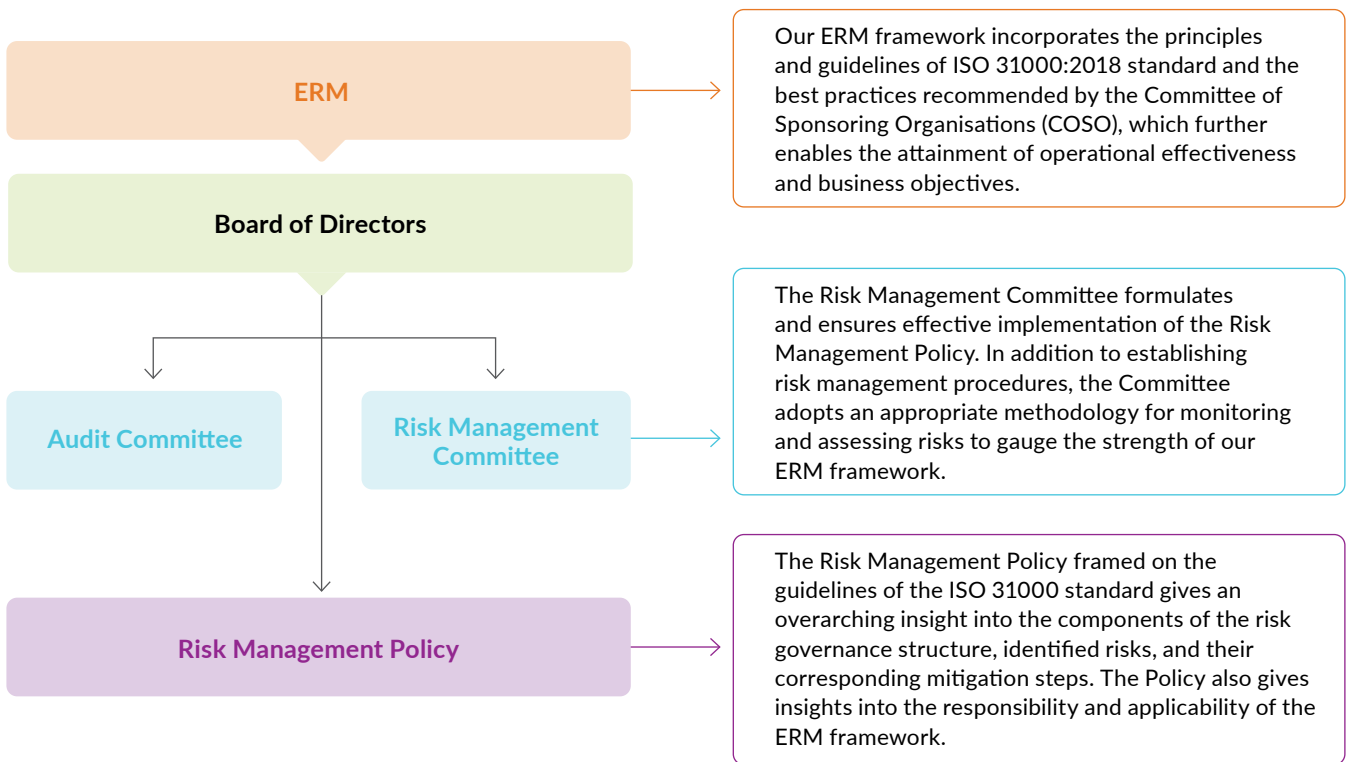


Strategic Risk Management¹⁰

Risk Mitigation at the Core

At Sun Pharma, risk management is embedded within our corporate strategy with a focus on risk mitigation and enhancing risk management capabilities for a sustainable future.

We nurture a diversified risk management approach in line with changing market dynamics to mitigate emerging risks and achieve our business objectives. Anchored by our comprehensive risk governance mechanism, comprising the Risk Management Policy, Risk Management Committee, and an ERM framework, we undertake proactive identification, mitigation, monitoring, and reporting of risks. The following risk governance structure provides further insights into our approach, responsibilities, and implementation process.



Risk management activities are an integral part of periodic functional reviews undertaken by the Managing Director.

¹⁰ GRI 102-11, GRI 102-15, GRI 103-1, GRI 103-2, GRI 103-3,



Risks and Mitigation Strategies

Strategic, Business, and Commercial Risks

Addressing risks associated with managing product portfolio, pricing, and margins

Material Topics Linkage

- Responsible product pricing
- Product responsibility
- Product accessibility
- Investment in innovation and technology
- Development of complex molecules

Mitigation Strategy

- Nurturing a robust product portfolio based on strong cross-functional synergies, organisational capabilities, project management, and product portfolio governance, inclusive of all stages of product life cycle from identification to launch
- Augmenting the frequency of in-licensing and out-licensing of products
- Emphasising the innovation, development, and commercialisation of specialty products and complex generics, among others
- Strengthening working capital and inventory management, reinforcing the supply chain through vendor assessment and development programmes
- Undertaking operational excellence programmes, focused on yield and throughput improvement

Sectoral and Regulatory Compliance Risk

Risks linked to non-adherence with standards and guidelines of all local and global regulatory agencies, focusing on pharmacovigilance, proprietary, confidentiality, and other core governance standards (for instance, cGMP and cGLP).

Material Topics Linkage

- ESG compliance
- Regulatory compliance
- Product responsibility

Mitigation Strategy

- Ensuring effective monitoring and reporting of adverse events, pertaining to product quality and safety through a robust centralised pharmacovigilance system, comprising comprehensive standard operating procedures (SOPs)
- Augmenting performance in pharmacovigilance management, supported by consistent investment in technological interventions, employee training on pharmacovigilance and an enhanced governance mechanism
- Ensure adherence to global quality standards and operating procedures across the organisation
- Implementing periodic Good Manufacturing Practices (GMP) training programmes for employees
- Enhancing and synchronising IT applications and systems pertaining to quality
- Ensuring effective product quality management through assessments undertaken at third-party locations
- Strengthening manufacturing records and, laboratory testing procedures through continual implementation of best practices
- Fortifying IP protection activities with the support of a dedicated IP team

Strategic Risk Management (continued)

Business Continuity Risk

Addressing risks linked to business interruption from changes in local and global geo-political, socioeconomic, regulatory, or other events

Material Topics Linkage

- Risk management
- ESG compliance
- Regulatory compliance
- Responsible supply chain management
- Emergency preparedness and response

Mitigation Strategy

- Creating a robust inventory management system for products and raw materials, encouraging local manufacturing capacity, and undertaking periodic disaster recovery testing procedures for critical applications to ensure business continuity
- Mitigating risks from external sources by focusing on stable market areas, and actively engaging with regulatory agencies to augment the regulatory capacity in key market areas
- Establishing a robust assessment mechanism to assess the implications of unprecedented disruptions on the supply chain, and developing a comprehensive contingency plan to avoid major impact on the business
- Undertaking supplier assessment to align with the standard practices and requirements as per the guidance outlined by sector-specific responsible supply chain initiatives
- We have business continuity and an on-site emergency plan for all our locations. The plan enables us to adapt to situations arising from any natural calamity or an unprecedented event that may disrupt the business operations. Our business continuity plan helped us in ensuring sustained supply of medicines across markets, during the global COVID-19 pandemic

Technology Risk

Maintaining a secure and robust network and system while supporting the pace and scale of business transactions across geographies.

Material Topics Linkage

- Data integrity and security
- Technology and digitalisation

Mitigation Strategy

- Enabling the implementation of a strengthened IT security system aided with the perimeter security, IT, and monitoring systems, anti-virus, and patch management
- Conducting periodic capacity-building workshops and trainings for employees on cyber security and data breaches to mitigate risks arising from data integrity and security issues
- Constantly evaluating digitisation requirements across business functions and guiding the implementation of efficiency and effectiveness tools and technology solutions to maintain competitive advantage

Climate Change and Environmental Risk

Addressing environment and climate change-related risks, and incorporating relevant norms and practices across the value chain.

Material Topics Linkage

- Waste management
- Water stewardship
- Climate change
- Energy efficiency and carbon emissions
- Energy management

Mitigation Strategy

- Adhering to relevant compliance requirements through strong governance and review mechanisms
- Augmenting the compliance tracking system through the implementation of compliance software management
- Undertaking risk assessment and periodic reviews for further strengthening of EHS and compliance capabilities
- Mitigating physical and transitional risks linked to climate change through the implementation of interventional measures, pertaining to energy and GHG emission reduction
- Undertaking physical risk assessments for climate-proofing assets
- Applying the precautionary principle as per the Rio Declaration 1992 through the ERM framework to mitigate environmental risks



Talent Management-Linked Risk

Addressing risks associated with talent acquisition, retention and development, human rights, OHS.

Material Topics Linkage

- Talent attraction and retention
- Workforce welfare
- OHS
- Human rights

Mitigation Strategy

- Implementing multiple talent development programmes, including global talent management, stretch programmes, and schemes in addition to provision of competitive compensation and benefits to employees for talent attraction and retention
- Executing a formal succession planning programme for leadership positions
- Implementing a robust EHS management system with periodic internal and external audits of safety practices
- Adopting comprehensive corrective action plans, post the identification and assessment of safety incidents to prevent any such future instances
- Integrating a strong governance structure for human rights as per the Human Rights Policy, grievance redressal mechanism, and due diligence across business operations, and extending the same to supply chain partners and vendors

Emerging Risks

Identifying and addressing any new or unprecedented risks that have the potential to impact our business activities and stakeholders.

Material Topics Linkage

- Climate action
- Geo-political and other related risks

Mitigation Strategy

- **Climate action**
 - Undertaking water reduction initiatives to reduce reliance on underground water, specifically from water stress sites
 - Enabling the swift adaptation and implementation of policies that compliment nationally determined contributions and the Paris Agreement, with a focus on the markets in which we operate. This is further aligned to our identified climate-related risks and opportunities.
 - Engaging ESG external subject matter experts who annually assess material ESG topics that impact Sun Pharma, provide insights into identifying risks and opportunities, and support us in our annual sustainability assessment and reporting practices
- **Geo-political and other related risks**
 - Evaluating options to ensure the continuity of our operations and access to products
 - Conducting comprehensive discussions with our local and national teams to assess the business continuity plan that minimises any potential disruptions in business operations
 - Exploring adaptation measures across our policies and SOPs to ease operations and encourage greater communication with stakeholders to solve any risk identified in a timely manner
 - Prioritising all financial aspects as part of our periodic review process