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**RISK ASSESSMENT AND MANAGEMENT PLAN**

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## **1. SCOPE**

This policy establishes the philosophy of Neogen Chemicals Ltd. (the “Company”), towards risk identification, analysis & prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company. This policy is applicable to all the functions and departments of the Company.

## **2. OBJECTIVE**

The objective of this policy is to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

The key objectives of this policy are:

- (i) Safeguard the Company property, interests, and interest of all stakeholders.
- (ii) Lay down a framework for identification, measurement, evaluation, mitigation & reporting of various risks.
- (iii) Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
- (iv) Balance between the cost of managing risk and the anticipated benefits.
- (v) To create awareness among the employees to assess risks on a continuous basis & develop risk mitigation plans in the interest of the Company.
- (vi) Provide a system for setting of priorities when there are competing demands on limited resources.

## **3. Risk Management Procedure:**

The Company is required to maintain procedures to provide the systematic view of the risk faced by the Company in the course of its business activities. This will require the Company to:

- (i) **Establish a context:** Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- (ii) **Identify Risks:** This is the identification of what, why and how events arise as the basis for further analysis.
- (iii) **Analyse Risks:** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.

- (iv) **Evaluate Risks:** This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized.
- (v) **Treat Risks:** For higher priority risks, the Company is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- (vi) **Monitor and Review:** This is for the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- (vii) **Communication and Consultation:** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

#### **4. Approach to Risk Management:**

The following methodology will be adopted to identify and mitigate risks to which they are subjected.

- (i) **Identification of Risks:** This would envisage identification of the potential list of events/ perils/ risks/ factors that could have an adverse impact on the achievement of business objectives. Risks can be identified under the following broad categories. This is an illustrative list and not necessarily an exhaustive classification.
  - **Strategic Risk:** Competition, inadequate capacity, high dependence on a single customer/vendor.
  - **Business Risk:** Project viability, process risk, technology obsolescence/ changes, development of alternative products.
  - **Finance Risk:** Liquidity, credit, currency fluctuation.
  - **Environment Risk:** Non-compliances to environmental regulations, risk of health to people at large.
  - **Personnel Risk:** Health & safety, high attrition rate, incompetence.
  - **Operational Risk:** Process bottlenecks, non-adherence to process parameters/ pre-defined rules.
  - **Reputation Risk:** Brand impairment, product liabilities.
  - **Regulatory Risk:** Non-compliance to statutes, change of regulations.
  - **Technology Risk:** Innovation, obsolescence.
  - **Political Risk:** Changes in the political environment, regulation/ deregulation due to changes in political environment
- (ii) **Evaluate & Prioritize Risks:** Estimate risk levels against pre-established criteria as may be determined by the Board. This will enable risks to be ranked and prioritized. The risks can be evaluated by plotting them on the Risk Map.

- (iii) The Board should identify certain risks, which cannot be quantified in monetary terms and as such not possible to rank them. In such cases, the consequences of the risk need to be evaluated.

The following could be used as criteria to identify such risks:

- Impact on fatality or irreversible disability/impairment to human life.
- Impact on the environment
- Impact on the Brand Equity including public litigation

## **5. Responsibilities of Board:**

- (i) Discuss the Company's Enterprise Risk Management (ERM).
- (ii) Ensure it is apprised of the most significant risks along with the action management is taking and how it is ensuring effective ERM.
- (iii) Reviewing risk disclosure statements in any public documents or disclosures.
- (iv) Periodic Review to the Risk Management Policy and/or associated frameworks, processes and practices of the Company.
- (v) Be aware and concur with the Company's Risk Appetite including risk levels, if any, set for financial and operational risks.
- (vi) Ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- (vii) Review the Company's portfolio of risks and consider it against the Company's Risk Appetite.
- (viii) Being apprised of significant risk exposures of the Company and to respond appropriately to them.
- (ix) Obtain Periodic Review from Key Managerial Personnel and other designated officers.
- (x) The Board shall obtain advice and assistance from internal or external legal, accounting or other advisors to implement the policy
- (xi) Perform other activities related to this Policy as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

## **6. Treat Risks:**

For high priority risks, the Board with the help of Industry Expert, Financial Expert or any other professionals should develop and implement specific risk management/ mitigation plans. Low priority risks may be accepted and monitored. The Board should evaluate avoiding risk or eliminating or radically reducing the risk by considering alternatives to current or proposed activities and ensure the adoption of control measures to be initiated against the identified risks from the designated personnel after analyzing cost v/s benefits.

## **7. Monitor and Review:**

The Board shall be responsible for overall monitoring of the risk management processes. To support the Board of Directors, Key Managerial Personnel and other employee not below a Manager level is identified from each business department should be deputed to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

## **8. Communication and Consultation:**

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

## **9. Reporting:**

Quarterly reporting of risks, their exposure and the risks mitigation plan devised by the Company should be presented to the Audit Committee and Board. The responsibility of compilation of report is entrusted with the Board of Directors and other designated personals. The designated Key Managerial Personnel should submit quarterly report on the compliance of the risk assessment and management policy to the Board of Directors.

## **10. Training:**

The Board of Directors should identify the need for imparting training to key personnel in the organization who are involved in the process of risk identification, classification, review, compilation of risk mitigation plan, etc. The training budget should be prepared at the beginning of the year or at regular interval and should be approved by the Board of Directors.

## **11. Retention of Documents.**

Risk Management Plans, Risk Matrix or Risk Mitigation Plans shall be retained by the Company for a minimum period of five years.

## **12. Implementation Review:**

To ensure adequate and complete implementation of this policy, internal audit reviews should be carried out at least annually.

## **13. Policy Review:**

The policy shall be reviewed annually for modification based on change in business environment and practices.

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