



ENTERPRISE RISK MANAGEMENT

POLICY

Medilines Distributors, Inc. (MDI) is committed to the effective management of risk, which is central to the continued growth and profitability of the company.

The purposes of establishing this risk management policy are to:

- provide a framework for setting objectives and establishing principles for action for risk management
- take into account business and legal or regulatory requirements, and contractual obligations
- align risk management with the organization's strategic context in which the establishment and maintenance of the risk management framework will take place
- establish criteria against which risk will be evaluated
- specify how risk management performance will be measured and reported
- ensure resources are available to assist those accountable and responsible for managing risk
- ensure risk management activities are conducted and implemented in an agreed, controlled manner
- achieve a risk management capability that meets changing business needs and is appropriate to the scale, complexity and nature of the organization
- ensure any material changes to the company's risk profile are monitored and disclosed in accordance with the company's Continuous Disclosure Policy

STRUCTURE

The Company strives to cultivate an organizational structure that supports strong corporate governance, clearly defines risk-taking responsibility and authority; facilitates ownership and accountability for risk-taking; and ensures the proper segregation of duties.

PROCESS

The Company strives to attain the sound processes that facilitate identification, assessment, quantification, mitigation, management, monitoring and communication of risks.

CULTURE

The Company strives to nurture a risk-awareness culture by setting the appropriate tone by Management, defining clear accountability, espousing transparency and timeliness in sharing risk information, together with appropriate decision, attitude and skills across the Company.



ROLES AND RESPONSIBILITIES

A. Board of Directors (BOD)

The BOD oversees and conducts annual review of the Company's operational, financial and compliance areas. The overall responsibility for Risk Management oversight rests with the BOD.

B. Management

With guidance provided by the BOD, Management is responsible for decision-making over the day-to-day affairs of the Company, namely: development and implementation of risk-management strategies, policies and systems intended to address the identified risks.

C. Chief Risk Executive

The President and Chief Executive Officer (CEO) acts as the Chief Risk Executive. He/she is ultimately responsible for risk management priorities, including strategies and policies which he/she recommends to the BOD for approval.

D. Chief Risk Officer

The Chief Finance Officer (CFO) and concurrent Chief Risk Officer (CRO) ensures that there is adequate supervision and guidance over the development, implementation, maintenance and continuous improvement of Risk Management policies, processes and documentation.

E. Role of Internal Audit

Internal Audit Team provides independent assurance on the effectiveness of Risk Management systems and processes. Its examinations cover a regular evaluation of adequacy and effectiveness of Risk Management and control processes encompassing the Company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness, and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations.