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CODE OF CONDUCT FOR RISK MANAGEMENT AS PER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

In accordance with Section 134(3)(n) of the Companies Act, 2013, a company is required to include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company and further as per Regulation 17 of the SEBI (LODR) Regulations, 2015, the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Risk management is the total process of identifying, measuring, and minimizing uncertain events affecting resources. Enterprise risk management is about optimizing the process with which risks are taken and managed. The art of managing risk is more challenging than ever. Losses are inevitable, but one must keep learning from the past.

Risk itself is not bad, but risk that is misplaced, mismanaged, misunderstood, or unintended is bad. The Company needs to assess which method best suits its objectives and its business. Risk management oversees and ensures the integrity of the process with which risks are taken. An attempt has been made by way of this document to identify the risk associated with the Company and the policies required to be adopted to mitigate the same.

This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

❖ BACK GROUND AND IMPLEMENTATION:

1) The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

2) This policy is in compliance with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires that the board of directors shall be responsible for framing, implementation and monitoring the risk management plan for listed entity.

3) The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

4) Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

❖ APPLICATION:

This policy applies to all areas of the Company's operations.

1) Risk Management Policies:

The primary responsibility for implementation of the risk management policies shall lie upon the Board of Directors. However, with a view to ensure effective and efficient implementation of the policies, the Board may delegate authority and responsibility on various departmental heads. The Company shall periodically review the risks associated with the Company and procedures for managing the same. As and when deemed necessary, necessary changes shall be made to this document.

The Risk Management policy of the Company shall primarily focus on identifying, assessing and managing risks in the following areas:

a) Company assets and property
b) Employees
c) Foreign Currency Risk
d) Operational Risks
e) Non-compliance of statutory enactments
f) Competition risks
g) Contractual risks
h) Technological Obsolescence Risk

a) Policy for managing risks associated with Company Assets and Property:

The policy deals with nature of risk involved in relation to assets and property, objectives of risk management and measures to manage risk.

The risk management policy relating to assets aims at ensuring proper security and maintenance of assets and adequate coverage of insurance to facilitate speedy replacement of assets with minimal disruption to operations. The role and responsibilities of the departments shall be identified to ensure adequate physical security and maintenance of its assets.

b) Policy for Managing Risk Relating To Employees:

The employees constitute the most important asset of the Company. The risk management policy relating to employees is therefore necessary to cover all risks related to employees and their acts/omissions. The policy deals with the nature of risk involved in relation to employees, objectives of risk management and measures to manage risk.

In particular, the objectives of employee related risk management policy aims at reducing attrition rate, providing adequate security to employees in relation to life, disability, accident and sickness, providing adequate legal safeguards to protect confidential information, and protecting the Company from any contractual liability due to misconduct/errors/omissions of employees.

c) Policy for Managing Foreign Currency Risk:

Presently, the revenues of the Company are mainly for domestic sources. However, over a period of time, the Company may carry on business in international territories also. The Company at times may resorts to long-term and short-term borrowings in foreign currency to finance expansion plans and growth. Any such move, would attract the risks associated with the frequent changes in valuations of foreign currencies.

The objective of foreign currency risk management is to protect cash flows and profit margins from volatility on account of fluctuations in exchange rates. The policy for foreign currency risk management ensures that the treasury department continuously tracks movement of foreign currencies, avails of services of experts, and hedges the risk through appropriate mechanisms such as forwarding contracts/options.

d) <u>Policy for Managing Operational Risks:</u>

The Company is constantly working to limit the operational risks that run through all facets of operations. This requires the combined efforts of all business and support units, and the tools required continue to be developed. The startup database of loss events is populated from internal audit reports. Apparent trends are analyzed, and various operating groups combine into task forces to address these. The business continuity plan is reviewed annually by each unit. In all of these efforts, the use of technology is harnessed for more control.

e) <u>Risks Associated with Non-Compliance of Statutory Enactments:</u>

The Company being a legal entity engaged in service industry and listed on one or more stock exchange(s). In view of the same, the Company is required to ensure compliance of provisions of various applicable statutory enactments. Failure to comply one or more such provisions may render strict penalties as may be prescribed under such statutory enactments.

The Company shall ensure that qualified professionals are employed to comply with various laws. In addition to the statutory audits, the Company shall promote undertaking of internal audit/s at different levels periodically to ensure timely check on the statutory compliances.

f) <u>Competition Risks:</u>

Risk of competition is inherent to all business activities. The Company faces competition from the existing players in the domestic operating in the segment in which the company operates. Considering that the Pharmaceuticals Sector is in the booming phase, there is always an inherent risk that the existing competition may further get acute with the advent of new players.

The Company strategy shall be to leverage its investments in its own high-profile brands, thereby leading to consolidation and value creation.

g) <u>Contractual Risks</u>:

There may be instances of defaults by Customer/s in fulfilling contractual obligations as a result of which the Company may face financial losses. Similarly, defaults by the Company in fulfilling one or more contractual obligations due to reasons such as misrepresentations, breach of warranties etc. cannot be ruled out.

The company shall ensure that proper drafting of the contract and adequate indemnity clauses are incorporated in the contracts entered into with one or more parties. In addition, internal controls from technical team and strict supervisions and checks on execution of contracts and delivery be undertaken.

h) <u>Technological Obsolescence:</u>

The company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology. Established contacts with leaders in technology, particularly in the areas of the company's operations, have dividends in our ability to access to newer and evolving processes and their applications in the manufacture of capital goods. This has led to the company establishing a lead with customers and sharing with them the benefits of such technological advances quicker than the market.

The company's policies also include a favorable dispensation for replacement of Machinery and Equipment on a constant basis to take advantage of such technological movements

❖ ROLE OF THE BOARD:

The Board will undertake the following actions to ensure risk is managed appropriately:

1) The Board shall be responsible for Framing, Implementing and Monitoring the risk Management plan for the Company.

2) The Board shall define the roles and responsibilities of the Head of the Department (HOD) and may delegate monitoring and reviewing of the risk management plan to the respective HOD and such other functions as it may deem fit.

3) Ensure that the appropriate systems for risk management are in place.

4) The Independent Directors shall help in bringing an Independent Judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;

5) Participate in major decisions affecting the organization's risk profile;

6) Have an awareness of and continually monitor the management of strategic risks;

7) Be satisfied that processes and controls are in place for managing less significant risks;

8) Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;

9) Ensure risk management is integrated into board reporting and annual reporting mechanisms;

❖ REVIEW:

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of organization.

❖ DISCLOSURE IN BOARD'S REPORT:

Board of Directors shall include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

❖ CONTINUOUS IMPROVEMENT:

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

❖ RESPONSIBILITY TO STAKEHOLDERS:

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's risk profile.

❖ DISCLAIMER CLAUSE:

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

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