

RISK MANAGEMENT POLICY

1. **PREAMBLE:** The Board of Directors has adopted the following policy and procedures with regard to risk management. This document lays down the framework of Risk Management at Gufic Biosciences Limited (hereinafter referred to as “the Company”) and defines the policy for the same. 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.
2. **OBJECTIVE:** The objective of the risk management policy document is to ensure that the company has proper and continuous risk identification and management process. This process will generally involve the following steps:
 - Identifying, ranking risks inherent in the Organisation’s strategy (including its overall goals and appetite for risk);
 - Selecting the appropriate risk management approaches and transferring or avoiding those risks that the business is not willing or competent to manage;
 - Implementing controls to manage the remaining risks;
 - Monitoring the effectiveness of risk management approaches and controls;
 - Learning from experiences and making improvements.

3. DEFINITIONS :

"**Listing Regulations**" means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"**Audit Committee**" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing Regulation.

"**Board of Directors**" or "**Board**" in relation to a Company, means the collective Body of Directors of the Company.

"**Policy**" means Risk Management Policy

4. REGULATORY FRAMEWORK:

Risk Management Policy is framed as per the following regulatory requirements:

4.1 Listing Regulations

Role of the Board:

The Board should fulfill certain key functions, including:

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
- Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

Role of Audit Committee:

The role of the Audit Committee shall include the evaluation of internal financial controls and risk management systems;

5. Risks and the Mitigation measures adopted by the Company

Management has identified certain areas of risk where the organization is vulnerable, listing them below along with actions to deal with the same and thereby mitigate, if not eliminate such risk. Management strives to ensure a policy of strong corporate ethics. Thus, it maintains healthy internal systems and practices rather than being bound by legal limitations.

i) Business Risk:

a) Concentration Risk :

The Company derives revenues from multiple products, multiple customers across geographic regions. Thus, the Company will endeavor to remain diversified and mitigate concentration risk.

b) Competition Risk:

The Company operates in a competitive market and expects competition to increase further in the future. The Company strives to meet the challenges by delighting our customers with product quality, timely supplies, best industrial practices in providing better services.

c) Price Risk

The Company produces and sales some products competing with numbers of players in India and abroad. Increasing competition puts pressure on our realizations. The Company regularly works on cost control, improved yields etc.,to maintain our margins.

d) International Operations Risk:

The inherent risks in conducting business internationally include:

- Country risk or risk of region that the Company operate in, Changes in political-economic conditions, law or regulatory requirements.
- Country specific tax obligations
- Trade barriers and import/export license requirement.
- Burden of complying with various foreign laws

To mitigate the above risks, the Company will avoid high-risk countries and even if the Company do business with such countries, the Company will minimize or hedge their risk by routing the transactions through a third party by taking appropriate insurance etc.

e) Insurance:

In order to reduce and mitigate identifiable risks, the Company will have various insurance covers from reputed insurance companies and will keep the company's properties and insurable interests insured.

The Companywill also cover our human resources by taking appropriate medical and accidental insurance cover.

ii) Financial Risk :

a) Credit Risk:

The Company shall have laid down extensive norms and SOP related to credit period and payment terms and device a credit approval process.

b) Treasury/ Foreign Exchange Risk:

The Company continues to expand our business globally.Some of our revenues and payments are in foreign exchange, which makes it crucial to monitor movements in the forex market.

Managing the risks from foreign currency rate fluctuations, interest rate fluctuations is the prime function of our finance and treasury department. The Company shall keep a close watch on forex market and its trend and review the movements regularly and hedge the risk with appropriate instruments.

c) Legal Risk:

These risks relate to the following:

- Contracts Risks
- Contractual Liability
- Frauds
- Judicial Risks
- Insurance Risks

Following are the Risk Mitigation measures adopted by the Company to mitigate the risks relating to Legal aspects:

- A study of contracts with focus on contractual liabilities, Penalties and interest conditions is undertaken on a regular basis.
- Contracts are finalized as per the advice of Legal professional and Advocates.
- Insurance policies are audited to avoid any later disputes.
- Internal Control system for proper control on the operations of the Company and to detect any frauds.

d) Market Risks :

- Demand and Supply Risks
- Quantities, Qualities, Suppliers, lead time, interest rate risks
- Raw Material rates
- Interruption in the supply of Raw Material

The Market risks can be mitigated by following measures:

- Raw materials are procured from different sources at competitive prices.
- Alternative sources are developed for uninterrupted supply of Raw Materials.
- Demand and Supply are external factors on which company has no control, but however the Company plans its production and sales from the experience gained in the past and on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of Company's products.

6. Risk Management:

The Company recognizes that risk is an integral and unavoidable component of business and is committed to manage the risk in a proactive and effective manner.

A first step in the process of managing risk is to identify potential risks. The risks must then be assessed as to their potential severity of loss and to the probability of occurrence.

Possible actions:

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of the following categories.

- Risk avoidance: This includes not performing an activity that could carry risk, if the risk is more than the gains.
- Risk reduction: This involves steps to reduce the severity of the loss by taking some steps.
- Risk retention: Involves accepting the loss when it occurs. In other words, this falls under category of self-insurance. All risks that are not avoided or transferred are retained by default.
- Risk transfer: Means transfer of risk to another party by entering into a contract, e.g. insurance cover, hedging instruments etc.

Depending on the risk assessment, severity and probability of occurrence, company may adopt one or more of the methods to minimize or mitigate the risk.

Approval of the Policy:

The Board will be the approving authority for the company's overall Risk Management System. The Board will, therefore, approve the Risk Management Policy and any amendments thereto from time to time.