DEV LABTECH VENTURE LIMITED

RISK MANAGEMENT POLICY

FRAMEWORK

- 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.

OBJECTIVE & PURPOSE OF POLICY

- 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. The specific objectives of the Risk Management Policy are:
    1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
    2. To establish a framework for the company's risk management process and to ensure its implementation.
    3. To enable compliance with appropriate regulations, wherever applicable, through the adoptionof best practices.
    4. To assure business growth with financial stability.

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 risks. Management strives to ensure a policy of strong corporate ethics that are more about the culture of the organization rather than an outcome of legal provisions. Thus, it maintains healthy internal systems and practices rather than being bound by legal limitations.

1. Business Risks:

a) Concentration risk:
We derive revenues from multiple products, multiple customers across geographic regions. Thus we will endeavor to remain diversified and mitigate concentration risk.

b) Competition risk:
We operate in a competitive market and expect competition to increase further in the future. We always strive to meet the challenges by delighting our customers with product quality, timely supplies, best industrial practices in providing better services.

c) Price risk:
We produce and sell some products competing with numbers of players in India and abroad. Increasing competition puts pressure on our realizations. We regularly work 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 the region that we operate in, changes in political- economic conditions, laws or regulatory requirements.
- Country specific tax obligations
- Trade barriers and import/export licensing requirements

- Burden of complying with various foreign laws
- Difficulties in managing and staffing international operations

To mitigate the above risks, we shall avoid high-risk countries and even if we do business with such countries, we shall minimize/hedge our risk by routing the transactions through a third party/ by takingappropriate insurance etc.

e) IP risk:
We manufacture some products for which valid patents may be in force in some countries. If we commercialize any such products during the validity of patent, we may run the risk of huge financial liability. To mitigate this risk, our R&D and production departments search for any valid patents before taking up the product for development or production. However, we may also develop new processesfor the patented products at the request of innovator companies.

f) Employee turnover risk:
We are dependent on principal members of our management team. Loss of services these employees may adversely affect our business. Competition among the pharmaceutical companies for qualified employees is intense and the ability to retain and attract new talent is critical to our success.

To attract new talent and retain talent, the company not only offers attractive compensation packagebut also growth opportunities to its critical employees.

g) Insurance:
In order to reduce and mitigate identifiable risks, we shall have various insurance covers from reputed insurance companies and shall keep the company's properties and insurable interests insured.

2. Financial Risk:

a) **Credit risk:**
We shall have laid down extensive norms related to credit period and payment terms and device a creditapproval process.

b) **Treasury/Foreign exchange risk:**
We continue 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 are the prime function of our finance and treasury department. We shall always keep a close watch on forex market and its trend and do review the movements regularly and hedge the risk with appropriate instruments.

c) **Legal risk:**
We enter into many contracts with our customers, lenders suppliers and others. Legal risk is the riskthat the organization may suffer financial loss either because contracts or individual provisions thereof are unenforceable or inadequately documented or because the precise relationship with the counter party is unclear. To mitigate this risk, we engage legal counsel to go through the contracts and advise the company before they are signed.

3. System of risk management and internal control:

We have appointed an independent Chartered Accountants firm to review the internal controls and systems periodically and report their observations and suggestions for improvement. Audit Committee of the Board reviews the observations of internal auditors and gives suitable advice to the management.

4. Risk Management:

A first step in the process of managing risk is to identify potential risks. The risks must then be assessedas 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, e.g. decision not to buy a disputed property.

Risk reduction:

This involves steps to reduce the severity of the loss by taking some steps, e.g. installation of fire hydrant system to minimize loss due to fire.

Risk retention:

Involves accepting the loss when it occurs. In other words, this falls under category of self-insurance. Risk retention is a viable strategy for small risks where the cost of insuring would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are large or catastrophic that they either cannot be insured against or the premiums would be infeasible, e.g. war risk.

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.

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.

BACK GROUND AND IMPLEMENTATION

- 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.
- This policy is in compliance with the Listing Agreement which requires the Company to lay down procedure for risk assessment and procedure for risk minimization.

- 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. 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.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

- Risk Management Committee shall be constituted by the company consisting of such number of directors (executive or non-executive) as the Company thinks fit. The Board shall define the roles& responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

APPLICATION

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

ROLE OF THE BOARD

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

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- The Board shall define the roles and responsibilities of the Risk Management Committee andmay delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.
- Ensure that the appropriate systems for risk management are in place.
- 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 ofrisk management are robust and defensible;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation ofrisk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- Convene any board-committees that are deemed necessary to ensure risk is adequately managedand resolved where possible.

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.

FOR, DEV LABTECH VENTURE LIMITED

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(JERAMBHAI LAVJIBHAI DONDA)
Chairman & Managing Director