

**STRATEGIC RISK MANAGEMENT POLICY OF
BLAU FARMACÊUTICA S.A.
(Free Translation)**

**Approved at a Meeting of the Company's Board of
Directors held on January 5, 2018**

1. PURPOSE

The Strategic Risk Management Policy (GER) of Blau Farmacêutica SA (“Blau Farmacêutica” or “Company”), approved at a meeting of the Company’s Board of Directors held on January 5, 2018, aims to present the concepts, guidelines and responsibilities of the Company’s risk management process, in order to equalize knowledge and give visibility to GER, in addition to clarifying the phases of identification, categorization, evaluation, treatment and monitoring of risks arising from businesses carried out by the Company and its subsidiaries.

2. COVERAGE

This document applies to all Employees of Blau Farmacêutica, as of their publication on the Corporate Intranet (VIVA).

3. CONCEPTS

Board of Directors / Senior Management: represents the Chief Executive Officer and other Officers, statutory or otherwise.

Managers: are the Managers of the business and support areas of Blau Farmacêutica.

Collaborators: are employees, trainees, minors apprentices and service providers who work in the premises of Blau Farmacêutica.

Risk Managers: all Collaborators, Directors and Senior Management, which are part of the organizational structure of Blau Farmacêutica (see section 4.1 below), responsible for managing the risks to which Blau Pharmaceuticals is subject, including identification, categorization, assessment, treatment (i.e.: definition and implementation of corrective actions) and monitoring.

Corporate Governance Bodies: Shareholders’ Meeting, Board of Directors, Audit Committee, Human Resources Committee, Compensation and Governance Committee, Strategy Committee, Quality Board, Medical Board, Internal Audit, Controllershship, Legal, Compliance, etc.

Risk appetite: this is the level of risk tolerance that the Board of Directors and Executive Board of Blau Farmacêutica are willing to accept in the definition and implementation of the business strategy.

Risk: is the potential for continued events or trends that may negatively affect the achievement of Blau Farmacêutica's objectives or its activities and processes, causing financial losses, fluctuations in future revenues, impact on image, etc. The risks can be external and internal.

External risks are events associated with the macroeconomic, political, social, natural or sectoral environment in which a company operates. Examples: economic situation of a country or region, competition actions, changes in the political scenario, social conflicts, environmental catastrophes, public health problems, emerging technologies, etc. With regard to External Risks, due to its very nature of unpredictability and the lack of ability to intervene directly on

these events, the company's posture is therefore a predominantly reactive action. However, this reactive action does not mean that external risks can not be “managed”; on the contrary, it is critical that the company be well prepared by monitoring and evaluating these potential risks so that reactive action can be taken as needed.

Internal risks are events originated in the company’s own structure, by its activities, factories, processes, Collaborators or technology environment. In this case, the company can and should, in general, interact directly with a proactive action.

Risk Categorization: Blau Farmacêutica categorize risks in - Strategic, Image, Regulatory/Legal, Credit, Market and Liquidity, Operational, Political, Technological and Environmental. It is important to note that an identified risk can belong to several different categories, concomitantly. This categorization, detailed below, aims to ensure the use of a common risk language within Blau Farmacêutica and to facilitate their management.

Strategic Risk: the possibility of implementing unsuccessful or ineffective strategies that do not achieve the expected results and/or increase the competition and/or other risks to which Blau Farmacêutica is susceptible.

Image Risk: these are events that harm Blau Farmacêutica reputation, leading to a reduction in customer confidence in relation to the Company’s products and/or impacts on the brand value.

Regulatory / Legal Risk: the possibility that laws or regulations, including their modifications or non-compliance, may bring strategic, image and/or financial impacts to the Company and its subsidiaries, and/or significantly affect the Company’s ability and subsidiaries to efficiently manage their business. This category includes, for example, the risk of changes in Health Surveillance legislation regarding the collection and renewal of drug registrations, issuance and maintenance of certificates of good practices in the manufacture of fundamental drugs, changes in the price control system of drugs, changes of rules and procedures of public tenders that regulate the purchases of drugs by public agencies.

Credit Risk: measure of uncertainty related to the likelihood that an operation counterparty or debt security issuer does not fully or partially honor its financial commitments to Blau Farmacêutica under the terms originally agreed upon, generating financial losses.

Market and Liquidity Risk: likelihood of losses to the Company and its subsidiaries due to adverse market movements and/or the variables that change the value of an asset or liability financial instrument, including interest, prices and exchange variation rates. It also covers the possibility that the Company and/or its subsidiaries may not be able to efficiently honor their current or future obligations (liquidity).

Operational Risk: possibility of occurrence of losses resulting from failures, deficiencies

or inadequacies of internal processes, people, equipment, industrial plants, distribution systems, supply of goods and services, or external events. Possible events include the issuance of incomplete, inaccurate or untimely accounting or tax reports; internal and external fraud; labor demands; business practices; damage to physical assets; inoperability or failures in industrial equipment and/or industrial plants and their subsystems; and social-environmental incidents or that lead to the interruption of the company's business.

Political Risk: risk arising from a change in the political environment in a country where Blau Farmacêutica or its subsidiaries maintains operations. An eventual change of government in a given country may change its public health policies and regulatory framework with respect to registrations, increasing or reducing the influence and/or participation of the State in public purchases and in the business environment, influencing prices and processes.

Technological Risk: risk of an inoperative or failure of systems, processes, technology equipment that processes and controls all operations of the company. Blau Farmacêutica is highly dependent of its technological systems and equipment. Failure or inoperability of one or more of your systems may impair the company's ability to operate and properly manage its business.

The Cyberattack risk is included herein.

Social-Environmental Risk: risk of loss as a result of negative effects on the environment and society resulting from environmental impact, impacts on indigenous peoples and communities, and protection of human health, cultural property and biodiversity.

4. GUIDELINES

Since 1992, the COSO (Committee of Sponsoring Organizations of the Treadway Commission), a non-profit organization created in 1985 in the United States of America, has issued numerous publications addressing models for development, implementation and management of corporate risks and internal controls. On the other hand, IBCG (Brazilian Institute of Corporate Governance), founded in 1995, promotes and disseminate in Brazil the best practices of corporate governance. Based on the material issued by COSO and IBGC, Blau Farmacêutica's risks management have been structured in five components.

4.1. Control Environment

The control environment is a set of rules, processes and organizational structures that provides the basis of support for all other components of Blau Farmacêutica's risk management structure. The control environment permeates the Company and is decisive over the entire system.

This includes the Company's rules, including the Code of Conduct and Ethics, the corporate policies and regulations and the Board of Directors, applicable to the Company and all its subsidiaries, including management, managers and all Collaborators, which are part of the control environment laws, regulations,

rules and issued by federal, state and municipal regulatory agencies and laws. The processes are those designed and adopted by the various areas, aiming at maintaining the Company's business operating under the principles of efficiency, effectiveness, ethics and integrity. Finally, the organizational structures include the corporate governance bodies, Senior Management, Management and the Collaborators.

The strategic risk management framework should ensure that management has goal-setting processes and that these are aligned with the strategy in relation to risk appetite.

4.2. Risk Assessment

A prerequisite for risk assessment is the establishment of strategic objectives. Senior Management formulates and proposes the strategic objectives and defines the actions pertinent to its implementation. The Board of Directors, in turn, analyzes and approves these strategic objectives, in line with the mission, vision and level of risk tolerance of Blau Farmacêutica.

Finally, the Management and Collaborators put into practice the actions defined.

Blau Farmacêutica is susceptible to a varied range of risks in the normal course of its activities. The identification, categorization and assessment of these risks makes it possible to avoid that those most relevant can adversely affect the Company's objectives, causing financial losses, fluctuations in future revenues, image impact, etc.

The identification of risks is possible thanks to the control, information, communication and monitoring activities carried out by Blau Farmacêutica. After identification and categorization of risks, an analysis of their impacts (i.e.: risk assessment) is carried out by the Senior Management and/or Board of Directors (depending on the nature and magnitude of each risk under analysis), in order to determine if they are within the tolerance level of the Company and its subsidiaries. This analysis of the impact of identified risks is carried out by the Senior Management in the ordinary or extraordinary meetings of the Board of Directors. The most relevant risks (i.e., risks classified as "extremely critical"), as well as strategic and image risks, are discussed with the Board of Directors during the strategic planning process. In the risk assessment, the Company's Senior Management or Board of Directors considers the qualification of the Company and its subsidiaries in dealing with them in the persons and processes dimensions. Persons or persons with high qualification to prevent or control events reduce the exposure to risk of the Company and its subsidiaries. The training evaluation exercise requires a comparative analysis of best practices, with the identification of possible training gaps. Once the gaps are identified, action plans should be defined and adopted to eliminate the unacceptable gaps, ensuring an effective risk management.

After the risks are assessed, the next step is the establishment of response actions, that may be:

421. Avoid or Eliminate the risk: decision to not engage with the activity, process, product or service that produce such risk, or act in order to discontinue or withdraw from that activity, process, product or service. This response action usually is taken for those risks that are above the Company's or its subsidiaries' tolerance level.

422. Accept the risk: in this case, the response actions are to retain, reduce, transfer or explore the risk.

- In option "retain", the risk is kept at the current impact level, because it is understood that it is within the Company's and its subsidiaries' appetite.

- In option "reduce", actions are taken to reduce the current level of risk impact.

- "Transfer" the risk in general is related with the use of insurances (risk impacts are transferred, totally or partially, to the insurer), or by outsourcing the risk activity to a more specialized company.

- Finally, "explore" the risk means to increase the degree of exposure to the risk, as it may enable competitive edges.

4.3. Control Activities

The control activities occur throughout all Company's organizational levels and include, among others, review and approval of rules and procedures applicable to Blau Farmacêutica's business; establishment of functions segregation in activities and processes; hold various conferences; review and/or approval of activities, processes, products and services; limitations of authority by scope; performance of conciliations in general; prior legal or regulatory evaluation of activities, processes, products and services; protection of know-how, factory knowledge, formulation of drugs, methods of drugs manufacturing and intellectual property; installation of mechanisms for the physical protection of assets; implementation of logical security in systems; operational performance reviews; establishment and implementation of a business continuity management program; and, mainly, monitoring of activities, processes, products and services in order to monitor the existing risks.

In general, control activities are described in policies and procedures and all Manager of each area of Blau Farmacêutica should follow them, in order to ensure that the business purposes and established levels of risk tolerance are always observed on Company's and its subsidiaries routine processes.

4.4. Information and Communication

The information that Blau Farmacêutica generates must be relevant and of high quality so that its business purposes are achieved with low risk, since they will allow quick and objective evaluations regarding the existent risks and prompt response action. The adequate internal communication of the information pertinent to the risk management process makes it possible to ensure that the

Managers and Collaborators receive clear messages from the Senior Management about the Company's strategy, its risk appetite and the responsibilities of these Managers and Collaborators for the maintenance of an adequate control environment. Regarding external communication, Blau Farmacêutica has an investor relations area that provides relevant information on its risk management mechanisms.

4.5. Monitoring Activities

As already reported, the entire control environment is permanently monitored, aiming to evaluate its effectiveness in detecting new risks and in controlling known risks. The monitoring is performed by Management, Senior Management and corporate governance bodies.

An important piece in monitoring the control environment is the activity of mapping the various operational processes of the Company. In the industrial area, this activity is primarily performed by the Quality Assurance Board, seeking to detect new risks and determine the effectiveness of the controls implemented for known risks in the industrial area. It is important to highlight that risk monitoring is not limited to the industrial area; it must cover all of the Company's operations; the mapping comprises the following risks: strategic, image, regulatory/legal, credit, market and liquidity, operational, political, technological and socio-environmental. Through process mapping, risks are identified, categorized and evaluated (i.e.: risks of extreme, high, medium or low criticalities, both for inherent and residual risk), based on the probability of occurrence and the resulting impact. These risk categorizations and assessments provide a "risk map" (i.e.: risk matrix) of the Company, providing a facilitating mechanism for decision-making by the Board of Directors, Senior Management and Management, mainly in relation to the activity of "response to risk". This mapping and the monitoring of the respective responses to the risks are carried out by the Strategic Risk Management area, supported by the Internal Audit area, two key components in monitoring the control environment

5. LIABILITIES

Board of Directors

- To homologate and monitor the strategic objectives of Blau Farmacêutica.
- Establish the risk limits that the Company shall tolerate in the conduction of business.
- To monitor and reassess periodically the strategic and image risks.
- To evaluate, when required by the Audit Committee, or Senior Management, the Company's and its subsidiaries situation regarding the other corporate risks (i.e.: strategic, image, regulatory/legal, credit, market and liquidity, operational, political, technological and social-environmental).
- Reassess periodically the Blau Farmacêutica's risk management strategy suitability, supported by the Audit Committee.

Audit Committee

- To monitor and reassess periodically the risks to which the Company is exposed, supported by the Internal Audit and Independent Audit.
- To follow the implementation of recommendations for improvements and corrections of process and controls performed by the Internal Audit, Independent Audit and the Committee itself, supported by the Internal Audit.
- To review periodically Blau Farmacêutica's risk management strategy, reporting to the Board of Directors.
- To assess periodically the effectiveness of jobs performed by the Internal Audit and Independent Audit.

Senior Management

- To formulate the strategic objectives and define the strategies to implement the business objectives approved by the Board of Directors, within the established level of tolerance to risks.
- To coordinate together with the Management the initiatives of implementing the strategic objectives, paying attention to the previously defined risk appetite.
- To sponsor and support actions, activities and organizational structures that ensure that the control environment, control activities, information and communication at Blau Farmacêutica remain adequate to the effective and efficient management

of risks and that ensure that the strategic objectives and the levels of risk appetite are being observed in the activities routinely performed by the Management and Collaborators.

- To identify risks preventively (i.e.: strategic, image, regulatory/legal, credit, market and liquidity, operational, political, technological and social-environmental) and perform the due management, assessing the likelihood of occurrence and adopting preventive and mitigation measures (response actions).
- To monitor the risks to which Blau Farmacêutica is exposed and potentially assess new risks not mapped previously, with support, whenever required, of the Management, Internal and Independent Audit.
- To perform the response actions to risks (action plans) to the strategic and image risks, within the established deadlines.
- To follow systematically the defined response actions to risks, making efforts together with Managers to return to the tolerable levels within the agreed deadlines.
- Investors Relations Management: to keep an adequate external communication of the risk management mechanisms adopted by Blau Farmacêutica.

Managers and Collaborators

- To perform the initiatives defined by the Senior Management for the implementation of the strategic objectives established by the Board of Directors, always paying attention to the previously defined risk appetite.
- To perform the control activities defined by the Company's and its subsidiaries' policies/procedures, or required by the Senior Management or good practices of management, ensuring an environment controlled properly.
- To produce relevant and quality information properly, and to ensure that the communication process of such information, internal or external, reach the interested parties according to their expectations and requirements.
- To support the Senior Management in risk management, identifying and communicating risks and proposing preventive measures and response actions.
- To perform the response actions to risks (action plans) within the established deadlines.

Note 1: the abovementioned liabilities are applicable to all Blau Farmacêutica's Managers and Collaborators, including from those areas that were particularly conceived to manage specific risks.

Note 2: the management coordination of each risk is performed by the following areas, but everyone is responsible for this, including the Senior Management, Management and Collaborators:

Strategic, Image and Political Risk: Board of Directors, Senior Management.

Regulatory / Legal Risk: Legal Board, Regulatory Board, Senior Management.

Subscription Risk: Clinic-Operational Area and Controllershship.

Credit, Market and Liquidity Risks: Financial Department.

Operational and Technological and Social-Environmental Risk: Industrial Board, Operations Board, Quality Assurance Board.

**Strategic
Management
of Risks**

- To implement and perform the strategic, image, regulatory/legal, credit, market and liquidity, operational, political, technological and socio-environmental risks mapping, assessing its efficacy.
- To commit the risks mapping results by periodical reports submitted to the Audit Committee (risks map), Senior Management (risks map and individualized reports) and Management (individualized reports).
- Whenever required, to submit to the Board of Directors and Audit Committee the risks map of Blau Farmacêutica.
- To follow and implement the risks response defined by the Senior Management and Management.
- To keep a proper internal communication of the risk management mechanisms adopted by Blau Farmacêutica, submitting risk maps and reports and making Managers aware of the importance of the risks management and responsibilities of each one in the referred process.

- To keep the company's internal communication and investors relations areas updated regarding the activities, monitoring and findings of the Risks Strategic Management.
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