RISK MANAGEMENT POLICY OF PG ELECTROPLAST LIMITED

1. PREAMBLE

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Potential benefits likely to flow from risk management are:

- fewer shocks and unwelcome surprises,
- enhances communication,
- promotes efficiency,
- enables quicker grasp of new opportunities, and
- supports more effective use of resources.

It is recognized that it takes real time disasters to appreciate the benefits of a structured risk management system put in place moving well beyond a mere compliance-oriented approach.

2. LEGAL FRAMEWORK

The Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 has also incorporated various provisions in relation to Risk Management policy, procedure and practices.

Section 134(3) of the Companies Act, 2013 ('the Act') requires the Board of Directors of a company, as part of the Board's Report, to give 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. Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

The Securities Exchange Board of India ("SEBI") on May 5, 2021 amended Regulation 21 in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top one thousand listed Companies (based on market capitalization of every financial year) to formulate and disclose a Risk Management Policy.

The Company being one of the top one thousand listed companies as per the market capitalization as on the last day of the immediately preceding financial year, frames this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy".

3. PURPOSE AND SCOPE OF THE POLICY

Risk management is an inherent part of the Company's business and management is proactive in terms of managing risks in an organised manner. The purpose of undertaking the risk management inter alia are:

- 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,
- to measure risk mitigation including systems and processes for Internal Control of identified risks.
- to make a comprehensive review of the Company's significant activities in order to define the risks flowing from such activities,
- to embed a risk management culture across the Company,
- to revise risk management policies appropriately from time to time,
- to enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices,
- to assure business growth with financial stability, and
- to keep the Board of Directors / Shareholders appropriately informed of the risk management initiatives and status thereof.

The Company recognises its responsibility to manage risk in an effective and efficient manner as a fundamental component of business operations. The Company is committed to identifying and analysing risks associated with activities and operations with the objective of maintaining a safe workplace, minimising losses and maximising opportunities, developing appropriate risk treatment options, and informed decision-making.

Risks can be threats or opportunities and a failure to manage them is a significant danger to the Company's survival and growth. The purpose of this policy is also to communicate the Company's common and systematic approach to managing risk.

4. RISK MANAGEMENT COMMITTEE

COMPOSITION: The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

The Company Secretary shall act as the Secretary to the Committee.

MEETINGS: The Risk Management Committee should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

ROLE OF RISK MANAGEMENT COMMITTEE:
The role of the committee shall, inter alia, include the following:

i. To formulate a detailed risk management policy which shall include:
   a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
   b. Measures for risk mitigation including systems and processes for internal control of identified risks.
   c. Business continuity plan.

ii. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

iii. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

iv. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

v. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

vi. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

5. RISK MANAGEMENT FRAMEWORK

PROCESS

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction.

A framework for identification of internal and external risks faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee shall be prepared.

STEPS IN RISK MANAGEMENT

- Risk Identification
- Risk Assessment
- Risk Analysis
- Risk Treatment - Mitigation
- Risk - Control and Monitoring

A. RISK IDENTIFICATION

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

B. RISK ASSESSMENT

Risk assessment is the process of risk prioritization. Likelihood and Impact of risk events have been assessed for the purpose of analyzing the criticality. The potential impact may include:

a. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.

   - **External risks factors:**
     - Economic Environment
     - Political Environment
     - Competition
     - Fluctuations in input material
     - Changes in technology
     - Changes in interest rates
     - Changes in government policies
     - Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.

b. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

   - **Internal risks factors:**
     - Project Execution
     - Contractual Compliance
     - Operational Efficiency
     - Hurdles in optimum use of resources
     - Quality Assurance
     - Environmental Management
     - Human Resource Management
     - Culture and values

Operational risk –Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

Financial risk – The financial risks relate to adequate liquidity for routine operations and availability of funds for expansions, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company. The investments of the Company should be made on the basis of financial modelling and the currency fluctuations be examined regularly.

Sectoral risk - The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilisation levels along with the impact of government regulations and policies on the Company.

Compliance Risks: Risk of loss resulting from legal and regulatory factors such as Legal Risks & Health, Safety and Environmental Risks.

IT-related Risks: Risk of technological challenges and other cyber security risks such as technological risks including hardware and software failure, human error, spam, viruses and malicious attacks and cyber security risks such as ransomware, phishing, data leakage, hacking, insider threats.

Other Examples of identified risks are as follows:

- Failure in implementing its current and future strategic plans
- Damage to its reputation
- Its risk management methods and insurance policies not being effective or adequate
- Security risks and cyber-attacks
- Insufficient systems capacity and system failures

C. RISK ANALYSIS

Risk Analysis is to be conducted taking the existing controls into consideration. Risk events assessed as "high" or "very high" criticality may go into risk mitigation planning and implementation; low and medium critical risk to be tracked and monitored on a watch list.

D. RISK TREATMENT - MITIGATION

To ensure that the above risks are mitigated, the Company will strive to:

1. Involve all functions in the overall risk identification and mitigation exercise;
2. Link the risk management process to the strategic planning and internal audit process;
3. The Risk Management Committee shall have access to all information necessary to fulfil its responsibilities. It has the powers to seek information from any employee, obtain outside legal or other professional advice and

secure attendance of outsiders with relevant expertise, if it considers necessary;

4. The Risk Management Committee may in its judgment periodically commission risk management analysis of the Company;
5. Adequate disclosures pertaining to the risks (including commodity & currency risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

E. CONTROL AND MONITORING MECHANISM

Risk management uses the output of a risk assessment and implements countermeasures to reduce the risks identified to an acceptable level. This policy provides process of assessing and mitigating risks identified within functions and associated processes. In circumstances where the accepted risk of a particular course of action cannot be adequately mitigated their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

6. BUSINESS CONTINUTY PLAN

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

The Company shall have well documented Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Risk Management Committee.

7. RISK REPORTING

The Board of Directors/ Audit/ Risk Management Committee of the Company 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 or such other authorized persons by Board 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 / Audit/ Risk Management Committee, as the case may be.

Every Head of Departments or such other authorized persons by Board shall also give details regarding any apparent risk and prospective opportunities relating to their departments on periodic basis to the Board.

While the Company will be monitoring, evaluating and responding to risks, only significant risks (or those that could become significant) need to be reported to the Board of Directors/ Audit/ Risk Management Committee, as the case may be.

Significant risks include those risks that have a high likelihood or significant impact i.e. having risk exposure or where there is limited ability for mitigation by the

Company. These risks are identified and assessed based on the Company's expertise, judgement and knowledge.

8. DISCLOSURES

Board's responsibility statement

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 in its Board Report.

The Board of Directors of the Company and the Audit and Risk Management Committee shall periodically review and evaluate the risk management system of the Company, so that the Management controls the risks through risk management framework.

9. AMENDMENTS

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.