

## PRAJ INDUSTRIES LIMITED

### RISK MANAGEMENT POLICY

<b>Versions of the policy</b>			
<b>Sr. No.</b>	<b>Particulars</b>	<b>Board approval date</b>	<b>Effective date</b>
1	Initial adoption	30 <sup>th</sup> March, 2015	30 <sup>th</sup> March, 2015
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## **1. INTRODUCTION**

Praj Industries Limited ("Praj" or "the Company") operates in an industry characterized by rapidly evolving dynamics and regulatory requirements, making it essential for the Company to effectively manage risk.

The Company recognizes that risk is an inherent aspect of its business operations, and that effective risk management plays a pivotal role in creating value for its shareholders, employees, and other stakeholders. By adopting a structured approach to identifying, assessing, and mitigating risks, the Company enhances its ability to safeguard assets, capitalize on opportunities, and ensure business continuity. This proactive approach to risk management not only protects the Company's interests but also drives sustainable growth and long-term value creation across the organization.

To ensure a consistent, efficient, and effective assessment of risks, Praj has laid down a Risk Management policy ("Policy") that provides guidelines for implementation and management of its Enterprise Risk Management ("ERM") framework. The policy supports the Company's endeavour to design, implement, monitor, review, and continually improve its risk management program.

The Policy has been developed and adopted by the Company and its Board of Directors in accordance with the guidelines set forth by the Risk Management Committee ("RMC") charter and the requirements of the Companies Act, 2013 ("the Act"), as well as of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

## **2. OBJECTIVE**

The objective of this Policy is to institutionalize a formal risk management function and framework at Praj.

The Risk Management Policy provides a structured and disciplined approach to managing risks and facilitates informed decision-making regarding risks. The specific objectives of the Policy include:

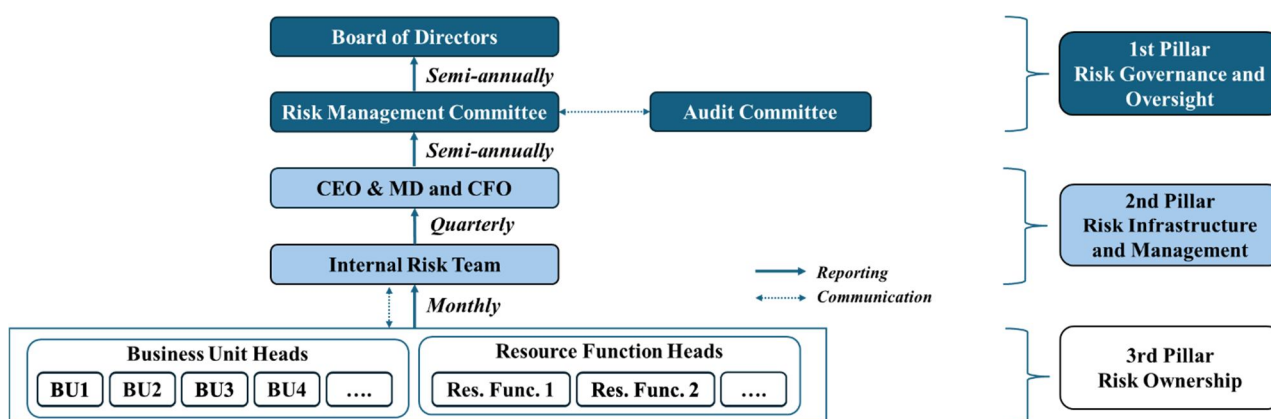
- Mandate an ERM Framework and process for early identification, assessment, response, monitoring, and reporting on risks arising out of internal as well as external factors.
- Establish a structured program that engages stakeholders across the Company to identify, prioritize and respond to risks and opportunities in relation to the overall Company's growth plans.
- Ensures appropriate ownership and accountability by providing clarity on the roles and responsibilities in relation to risk management.
- Facilitate identification and assessment of risks that may impact the business continuity of the Company and define its response plans for such risks.
- Facilitate identification and assessment of risks associated with significant capex and investment decisions as per the risk appetite of the Company.
- Ensures monitoring and reporting on status of Key Risks to the Risk Management Committee ("RMC") and the Board of Directors.
- Facilitate compliance with the applicable regulatory requirements related to risk management and reporting.

### 3. SCOPE

This Policy is applicable to the Praj Group, including its subsidiaries, and to all processes or functions in such entities

### 4. ERM GOVERNANCE STRUCTURE

The company has established three levels of risk management responsibilities in its Governance Structure as Risk Governance and Oversight, Risk Infrastructure and Management and Risk Ownership.



### 5. ERM ROLES AND RESPONSIBILITIES

#### 5.1. RISK GOVERNANCE AND OVERSIGHT

The Risk Governance and Oversight function comprises of the Board, Risk Management Committee, and Audit Committee, who will play a pivot role in framing the ERM Policy and guidelines for the organization.

##### A. Board of Directors:

The Board is committed to the objectives of Enterprise Risk Management and its engagement in the risk oversight function is to strengthen the management of organizational risk exposures in achieving the Company’s strategic objectives. The Board plays a critical role in fostering a culture of effective risk management within the organization that aligns with the mission and vision of the company.

The Board will support the RMC in shaping the risk management policy, providing guidance on its implementation, and overseeing its effectiveness. To this end, the Board will meet at least semi-annually to review key risks facing the Company, helping to ensure that the risk management framework is robust and stays aligned with the Company’s strategic objectives

##### B. Audit Committee:

The Audit Committee shall receive semi-annual updates on key risks from the RMC. Based on these updates, the Audit Committee may provide recommendations to the RMC regarding the company's risk management program. Additionally, if requested by the RMC, the Audit Committee may offer guidance on specific matters.

### **C. Risk Management Committee (RMC):**

The RMC is entrusted with the responsibility of developing the ERM policy, ensuring its effective implementation, and continuously monitoring and reviewing the policy. The RMC serves as a forum for discussing and managing key strategic, business and other risks that the Company faces.

The functioning of the RMC will be guided by the RMC Charter, which is appended as an annexure to this policy.

## **5.2. RISK INFRASTRUCTURE AND MANAGEMENT**

The Risk Infrastructure and Management function is comprised of the Ex-Com and the Internal Risk Team, who support the risk governance and oversight functions. They play a pivotal role in the implementation of the Enterprise Risk Management (ERM) framework within the company

### **A. CEO & MD and CFO (Ex-Com):**

The Ex-Com shall support the RMC on ERM Governance and its implementation in the Company. They would support in identifying high priority risk, defining the right mitigation strategies and review the status of its mitigation plan on periodic basis.

The primary responsibility of the Ex-Com shall be implementing the Risk Management Policy within the Company and developing a risk intelligent culture that helps improve organization resilience to critical business

### **B. Internal Risk Team:**

The Internal Risk Team shall act as risk coordinator. The risk coordinator shall ensure risk management processes as defined in this policy are executed and coordinate the effort of various functions to deliver consolidated view to the Ex-Com and the RMC.

The risk coordinator would also be responsible for conducting internal risk review meetings, maintaining risk registers and risk management policy, and suggesting best practices for strengthening the risk management process.

## **5.3. RISK OWNERSHIP**

The Risk Ownership function includes Business and Functional Heads, as well as Risk and Response Owners, who are responsible for executing risk management activities within the company.

### **Business and Functional Heads:**

Business and Functional Heads are responsible for providing monthly updates on the status of risk management activities for their respective areas to the Internal Risk Team. Ultimate ownership of risk identification, monitoring, and mitigation lies with these heads. They are expected to accept the risks associated with their areas and take ownership of the risk management plans for their units. For ground-level execution, Risk Owners, i.e. Business and Functional heads, may gather inputs from personnel at various levels within their respective Business units, or, if necessary, from other Business units.

## **6. ERM PROCESS AND FRAMEWORK OVERVIEW**

To effectively manage uncertainty, respond to risks and exploit opportunities as they arise, the Company has implemented an ERM Framework which involves the following steps:

- **Establish context for risk process:** To manage the risk management process effectively, it is essential to define the scope of the process and understand the internal and external contexts within

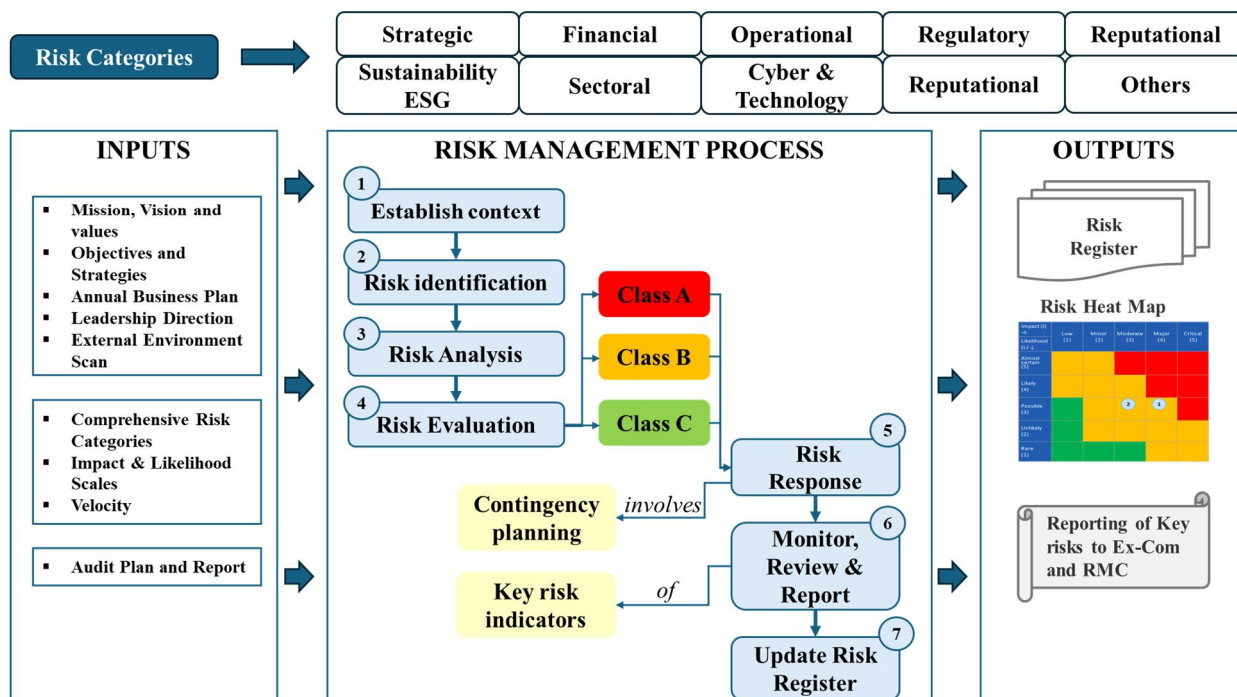
Praj's risk appetite. This includes identifying the relevant factors that could influence the company's ability to achieve its objectives.

- **Risk Assessment:** As part of a comprehensive risk management approach, the Company must identify and assess risks that may affect its ability to achieve its strategy and business objectives. Risk assessment is an overall process that includes risk identification, risk analysis, and risk evaluation.
  - a. **Risk Identification:** The objective of this step is to generate a comprehensive list of risks based on events that may either assist or hinder the achievement of business objectives. Risk identification may be carried out through various methods, including comprehensive discussions with business units, workshops, and other collaborative activities.
  - b. **Risk Analysis:** Risk analysis involves identifying the sources of risks, areas of potential impact, and emerging trends, as well as understanding their causes and potential consequences on the achievement of business objectives. The goal is to understand the nature of the risks, including contributing factors, impact, likelihood, velocity, and the effectiveness of existing controls.
  - c. **Risk Evaluation:** Risk evaluation compares the results of the risk analysis (impact, likelihood, velocity) against the Company's established risk criteria to determine whether additional action is necessary. This evaluation helps prioritize risks based on their criticality and informs decisions on appropriate risk management strategies. Prioritization is achieved by ranking the risks based on their residual risk rating to identify key residual risks that require attention.
- **Risk Response:** Risk Response involves developing response plans aimed at reducing the probability of occurrence or the impact of a risk event. After gaining an understanding of its risk profile, the Company must determine whether specific response plans are necessary, particularly for Key Risks.

In the case of a crisis risk situation, the business may need to implement Contingency or Business Continuity Plans to restore normal operations and maintain stability following the risk event. These plans help ensure a swift return to a Business-As-Usual scenario while minimizing the impact on operations.

- **Risk Monitoring and Review:** Risk Monitoring and Review involves establishing defined review forums and frequencies for tracking the status of risks on a regular basis. A crucial part of this process is identifying and monitoring indicators or signals, known as Key Risk Indicators, to detect the potential occurrence of risks. The review frequency is set to ensure that Key Risks at the Company level are periodically assessed, along with the progress of the corresponding response plans.
- **Risk Reporting:** Risk reporting ensures that relevant risk information is available across all levels of the Company in a timely manner to provide the necessary basis for risk-informed decision-making. Annual updates are provided to the Board on status of Key Risks and associated response plans.

## ERM PROCESS



The ERM framework detailed in Paragraphs 4, 5, and 6 above will be reviewed and approved annually by the Risk Management Committee to ensure that it remains aligned with current business needs and regulatory requirements.

### 7. COMMUNICATION

This Policy shall be communicated to all key corporate functions, business units and stakeholders involved in the risk management process of the Company.

### 8. REVIEW

This Policy shall be reviewed at least once every two years to ensure alignment with changes in the business environment and regulatory requirements related to risk management and reporting. Any revisions to the Policy will be reviewed by the Risk Management Committee and approved by the Board of Directors.

### 9. DISCLAIMER

In any circumstances, where the terms of this Policy differ from any existing or newly enacted law, rule, regulation, or standard governing the Company, the newly enacted law, rule, regulation, or standard shall take precedence over this Policy until such time the Policy is changed to conform to the law, rule, regulation or standard.

**For Praj Industries Ltd.**

Sd/-

**Dr. Pramod Chaudhari**  
Non-Executive Chairman

**Date: 30<sup>th</sup> January, 2025**





## **ANNEXURE 1 - REGULATORY REQUIREMENTS**

### **SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

1. The Board of directors of the listed entity shall have the following responsibilities with respect to risk management:
  - a. Review the Risk Policy. *[Regulation 4(2)(f)(ii)(1)]*
  - b. Ensure integrity of the Risk Management systems. *[Regulation 4(2)(f)(ii)(7)]*
  - c. The Board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the listed entity to excessive risk. *[Regulation 4(2)(f)(iii)(9)]*
2. The listed entity shall lay down procedures to inform members of Board of directors about risk assessment and minimization procedures. *[Regulation 17(9)(a)]*
3. The Board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity. *[Regulation 17(9)(b)]*
4. Risk Management Committee *[Regulation 21]*
  - a. The Committee shall have minimum 3 members with majority of them being members of the board of directors, including at least 1 independent director
  - b. The Chairperson of the Committee shall be a member of the board of directors
  - c. Senior executives of the entity may be members of the Committee.
  - d. The Committee shall meet at least twice in a year. The meetings of the committee shall be conducted in such a manner that on a continuous basis not more than 210 days shall elapse between any two consecutive meetings.
  - e. The quorum for a meeting of the Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.
  - f. The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.
  - g. The Risk Management Committee shall have 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.
  - h. The committee shall formulate a detailed risk management policy which shall include:
    - i. 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.
    - ii. Measures for risk mitigation including systems and processes for internal control of identified risks.
    - iii. Business continuity plan.
  - i. The committee shall ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
  - j. The committee shall monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.



- k. The committee shall periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- l. The committee shall keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
- m. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Committee.
- n. The 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.

### **COMPANIES ACT, 2013**

- 1. Report by its Board of Directors, which 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. *[Section 134(3)(n)]*
- 2. Independent directors should satisfy themselves that the systems of risk management are robust and defensible. *[Schedule IV]*
- 3. The 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. *[Section 177(4)(vi)]*

## **ANNEXURE 2 - CHARTER OF THE RISK MANAGEMENT COMMITTEE**

### **PURPOSE OF RISK MANAGEMENT COMMITTEE**

As per Regulation 21 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as “Regulation 21” or “Listing Regulations”), it is mandatory for Praj Industries Limited (the “Company”), to constitute a Risk Management Committee (“Committee” or “RMC”).

The purpose of the Risk Management Committee is to facilitate the Board of Directors of the Company (“Board”) in fulfilling its Corporate Governance Responsibilities with regard to the identification, evaluation and mitigation of various risks such as Cyber, Strategic, Operational, Financial, Regulatory, Human Resources etc.

The Committee has overall responsibility for monitoring and approving the Enterprise Risk Management (ERM) framework and associated practices of the Company.

### **COMPOSITION OF RISK MANAGEMENT COMMITTEE**

The RMC shall be appointed by and will serve at the discretion of the Board. The RMC shall consist of no fewer than three members, majority of whom shall consist of members of the Board, including at least one independent director. The Chairman of the RMC shall be a member of the Board.

### **MEETING AND QUORUM**

The RMC shall meet at least at such intervals that the time gap between two continuous meetings is not more than two hundred and ten days.

The quorum for a meeting of the RMC shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

### **SCOPE OF THE COMMITTEE**

- i. The RMC shall formulate and monitor the implementation of Risk Management Policy (“Policy”). The Policy shall be subject to review at least once in every two years while taking into consideration the changing industry dynamics and evolving complexity.
- ii. The RMC shall annually review and approve the Enterprise Risk Management Framework of the Company contained under the Policy.
- iii. The RMC shall periodically review the risk management processes and practices of the Company and ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- iv. The RMC shall evaluate significant risk exposures of the Company and assess management’s actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning & testing etc.)
- v. The RMC shall evaluate risks related to cyber security and ensure appropriate procedures are placed to mitigate these risks in a timely manner.

- vi. The RMC shall co-ordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issues relating to risk management, policy or practice)
- vii. The RMC may form and delegate authority to sub-committees when appropriate.
- viii. The RMC shall make regular reports to the Board, including with respect to risk management and minimization procedures along with its recommendations to the Board.
- ix. The RMC shall review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
- x. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the RMC.
- xi. The Board may review the performance of the RMC periodically.
- xii. The RMC shall have access to any internal information necessary to fulfil its oversight role.
- xiii. The RMC shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
- xiv. The role and responsibilities of the RMC shall include the performance of functions specified in Part D of Schedule II of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other items as may be prescribed by applicable laws or the Board in compliance with applicable laws, from time to time.

#### **LIMITATION, REVIEW AND AMENDMENT**

In the event of any conflict between the provisions of this charter and of the applicable law, the provisions of applicable law shall prevail over this charter. Any subsequent amendment / modification to the applicable law shall automatically apply to this charter.

The RMC may review this charter periodically and recommend amendments for the Board's approval from time to time, as may be deemed necessary.