INOX INDIA LIMITED

RISK MANAGEMENT POLICY

1. Overview

INOX India Limited (“**INOX**”) is required to formulate a Risk Management Policy (“**Policy**”) under the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) which *inter alia* requires the company to formulate and implement a risk management policy and lay down a framework for identification of internal and external risks, measures for risk mitigation and business continuity plan.

2. Applicability

This Policy was approved by the Board of Directors of INOX on 16th July, 2022 and is effective from the same date and applies to all areas of INOX’s business/ operations.

3. Objective

The primary objective of this Policy is to establish a structured and intelligent approach to risk management at INOX. Effective management of risk helps to manage innovation and improve performance.

Certain specific objectives of the Policy are:

3.1. Ensure that all the current and future material risk exposures to INOX are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
3.2. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
3.3. To create awareness among the employees to assess risks on a continuous basis and develop risk mitigation plans in the interest of the company.
3.4. To assure business growth with financial stability.

4. Roles and Responsibilities

The company has a committee of the Board, namely, the Risk Management Committee (“**RMC**”), which was constituted with the overall responsibility of overseeing and reviewing risk management across the company. The roles and responsibilities of various stakeholders is as under:

	Constitution	Role and responsibilities	Reporting to
Board of Directors	As per the Companies Act, 2013 (“**Act**”) and Listing Regulations, as amended from time to time	Board to carry out the roles and responsibilities as prescribed under the Act and the Listing Regulations.	-

	Constitution	Role and responsibilities	Reporting to
RMC	As per the Act and Listing Regulations, as amended from time to time	RMC to carry out the roles and responsibilities as prescribed under the Act and the Listing Regulations, including under Para C of Part D of Schedule II.	Board of Directors
Chief Executive Officer (CEO)	Person so designated	• To implement all Risk Management Policy for all Operational Risks; • To report any Risks to appropriate Forum as per the Risk Escalation Matrix. • Implement the decisions of the RMC with respect to Operational Risks;	RMC
Company Secretary and Chief Financial Officer (“**CS/ CFO**”)	Person so designated by the company as a CS or the CFO.	• To co-ordinate meetings of RMC; • Implement the decisions of the RMC; • Provide assistance and support to the RMC in implementation of the Policy; • Review the working and implementation of the Policy and report to the RMC;	RMC
Head of Departments	Functional Heads at each of the unit/ office of the company.	• Responsible for implementation of the risk management system as may be applicable to their respective areas of functioning. • Maintain and update the risk register of their concerned area.	CS/ CFO
Employees	-	• Identify and report risk to the Head of Department; • Timely and accurately report of all incidents; • Identify future risk, evaluate the criticality of the risk and submit the same with the Head of Department.	Head of Department

5. Risk Management Committee

5.1. **Composition of the RMC**: The RMC shall consist of such members as may be prescribed under Listing Regulations from time to time.

5.2. **Meetings of the RMC**: The RMC to meet at such intervals as may be prescribed under the Listing Regulations from time to time.

6. Risk Management Framework

Risk management is a continuous and evolving process, which integrates with the culture of the company. Essential to this process is it’s alignment with corporate direction and objectives, specifically strategic planning and annual business planning processes. INOX has adopted a comprehensive risk management approach to identify, mitigate and manage risks that could have a material impact on the business of the company, which is in line with international standards.

INOX’s risk management framework consists of the following steps:

6.1. Risk Identification and Risk Categorization

This involves continuous identification of events that may have negative impact on the company's ability to achieve goals. The company has adopted a robust risk identification process keeping in view the key activities/ focused areas of company's business for the purpose of risk assessment. Identification of risks, risk events and their relationship are based on the basis of discussion with the senior management and analysis of related data/ reports, previous internal audit reports, past occurrences of such events etc.

The identification of risk by the company is broadly based on the following internal and external risk factors:

(a) <u>Internal risk factors:</u>

- Governance, organizational structure, roles and accountabilities;
- Policies, objectives and the strategies that are in place to achieve them;
- Contractual compliances;
- Operational efficiency;
- Credit and liquidity risk
- Human resource management;
- Hurdles in optimum use of resources;
- Culture and values.
- Suppliers/Raw Material Risk
- Customers Risk
- Technological Risk
- Physical risk – that is risk of damage/breakdown to the assets of the company.

(b) <u>External risk factors:</u>

- Statutory/ regulatory changes/ changes in government policies;
- Market conditions/ trends;
- Economic environment;
- Political Environment;
- Fluctuations in trading activities;
- Foreign Exchange Rate Risk;
- Factors beyond the company's control (including act of God, epidemic, pandemic, war, etc) which significantly reduces demand for its business and/or affects its operations.

The risks can be broadly identified/ categorized into one or more following categories; however, the risk management committee may revise such categories:

Category of Risk	Examples
Financial Risks	• Currency fluctuations; • Unavailability of funding and cash flow; • Change in credit limit affecting availability of funds; • Market conditions on lending / borrowing of funds; • Loan repayment schedules not adhered; • Changes in the applicable laws and environment related to funding, investment norms, including raising of funds from international market; • Financial misstatements/ improper accounting or financial reporting.
Operational Risks	• Business disruption; • Delay in implementation of project/ plan; • Inefficient use of resources/increased product/ service cost; • Physical property/damage/disruption; • Accidents / force majeure events, change in management, etc. • Limited availability of manpower and resources;
Sectoral Risks	• Product development and engineering activities; • Limited number of Customers including Government Customers; • Third Party suppliers for our Key components, materials and stock-in-trade; • Cryogen Leakage from equipment poses health hazards; • Inability to implement business strategies; • Cyclical demand and vulnerable to economic downturn; • Competition with certain key players in the industry; • Regulatory approvals and licenses for business; • Changes in the energy industry and governmental energy policies.
Sustainability (ESG Related) Risks	• Non-compliance of environmental, social and governance related laws; • Adaptability to changes in the applicable laws including those related to ESG norms such as labour laws; • Strained employee relations due to any reason, strikes, lock-outs, accidents, salary disputes etc.
Information Risks	• Leakage of key/sensitive non-public information; • Rumors in the market and / or related trading in the securities of the Company; • Adverse national media or public or national government attention • Data privacy challenges.
Cyber Security Risks	• Disruption of IT operations; • Server issues; • Phishing, data leakage, hacking, insider threats, etc.
Strategic Risks	• Reduction in business vitality (due to change in business strategy, customer spending patterns, changing technology, etc.); • Loss of intellectual property and/or trade secrets; • Competition for talent; • Negative impact to reputation/loss of trust mark.

Category of Risk	Examples
Compliance Risks	Violation of laws or regulations governing areas including but not limited to: • Environmental; • Employee health & safety; • Labour laws; • Product quality/safety issues ; • Local tax and statutory laws. • Prosecution, fines, investigations, inquiries; litigation including class actions

6.2. Risk Analysis

Risk analysis involves:

(a) analysis/ consideration of the causes/ sources of risks identified;
(b) identification of trigger events that could lead to the occurrence of such identified risks;
(c) consequences of the risk including both the positive and negative aspects;
(d) suggestions / recommendations of any interim measures, if the circumstances are grave and so warrant implementation / introduction of such measures;
(e) likelihood that those consequences can occur;
(f) review of existing controls and their effectiveness and efficiency against such identified risks and its consequences.

6.3. Risk Evaluation

Risk evaluation allows company to consider and determine the level of risk identified during the analysis and based on such analysis the appropriate mitigating steps can be considered. Decisions should be made in accordance with legal, regulatory and other requirements including suggestions from external and internal advisors. Risk that cannot be eliminated or reduced by all reasonably practicable means must be actively managed, monitored and reviewed.

6.4. Risk Response and Mitigation

Risk response and mitigation involves selecting one or more options for modifying risks and determining the suitable risk mitigation strategy and implementing those options. This is one of the important steps in managing risks.

INOX follows a five-step process to make changes to better their approach to risk management in response to the developments in internal and external environments to address the risk management process:

- To identify and understand the major/material risks;
- To decide which risks are natural and binding to the organization;
- To determine the capacity and appetite for identified risks;
- To embed risk in all decisions and processes;
- To align governance and organization around risk.

Depending on the severity of the risk, company’s response may vary from acceptance of the risk to eliminating/ mitigating risk. Once the risks are identified and prioritized, appropriate risk mitigation and management efforts to effectively manage these risks are identified. The purpose of mitigating a risk is to continue with the activity which gives rise to the risk but to bring the risk to an acceptable level by taking action to control it in some way. For the risk mitigation steps, the cost benefit analysis needs to be evaluated.

In circumstances where any identified and accepted risk of a particular course of action cannot be adequately mitigated, their status shall be continuously monitored and periodically presented to the Risk Management Committee.

6.5. **Risk Recording**

The identified risks shall be recorded by the company in the risk registers for the purpose of continuous monitoring. The Risk Register records details of all the risks identified at the beginning and during the process of risk management process, their grading in terms of likelihood of occurring and seriousness of impact on the project, initial plans for mitigating each high level risk, the costs and responsibilities of the prescribed mitigation strategies and subsequent results. The recording, management and analysis of risk incidents is a critical component of the risk management process.

6.6. **Monitoring and Review**

All aspects of an identified risk shall be monitored on a regular basis as the risk exposure may undergo changes from time to time due to continuously changing environment. In order to ensure that risk management is effective and continues to support organizational performance, processes shall be established to:

- Measure risk management performance against the key risk indicators, which are periodically reviewed for appropriateness;
- Periodically measure progress against, and deviation from, the risk management plan;
- Periodically review whether the risk management framework, policy and plan are still appropriate;
- Report on risk, progress with the risk management plan and how well the risk management policy is being followed;
- Periodically review the effectiveness of the risk management framework and make amendment to the framework if warranted.

7. Business Continuity Plan

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, in other words, a disaster management plan. The company shall formulate a business continuity plan as may be required for protecting the interest of the company in the event of happening/ occurrence of any unforeseen events that may affect the business of the company.

Such business continuity plan may vary from time to time depending on company’s need and the risk management strategy being adopted by the company at such time. The business continuity plan may, among other things, focus on protecting the assets and personnel of the company in the event of a disaster event which affects day to day operations of the company’s business. The business continuity plan may be reviewed and amended by the RMC from time to time, as the committee may deem fit.

8. Amendment to Policy

The company's risk management system/ process is always evolving. With the change in market conditions, industry practices, customer demands, etc., the level and extent of the risk management system will need evaluation and be revised with the development and growth of the company's activities. The RMC will periodically review the risk management policy including by considering the changing statutory/ regulatory provisions and requirements of the industry. Based on the review and recommendations of RMC or otherwise, the Board of Directors (or such committee as may be authorized by the Board in this behalf) may revise the Policy from time to time.

Any or all provisions of this Policy are subject to such alterations/ amendment/ revisions as may be notified under the Act and the Listing Regulations and/or issued by any relevant statutory authorities. In case any amendment/ clarification/ notification/ circular prescribed by any relevant statutory authority are inconsistent with any of the clauses of this Policy, then such amendment/ clarification/ notification/ circular shall prevail over clauses of this Policy and the Policy shall be deemed to be altered/ amended/ revised to that extent, which alteration/ amendment/ revision shall be effective from the date as laid down under the amendment/ clarification/ notification/ circular issued by any relevant statutory authority.