SOLEX ENERGY LIMITED

Risk Management Policy

(Reviewed & Revised by the Board of Directors in its Meeting Dated May 16, 2026)

I. PREAMBLE

There are specific requirements that a company needs to comply with law. This document lays down the framework of Risk Management at the **Solex Energy Limited.** This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

II. OBJECTIVE

The objective of Risk Management at Solex Energy Limited is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

1. Providing a framework that enables future activities to take place in a consistent & controlled manner
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats
3. Contributing towards more efficient use/ allocation of the resources within the Organization
4. Protecting and enhancing assets and company image
5. Reducing volatility in various areas of the business
6. Developing and supporting people and knowledge base of the organization.
7. Optimizing operational efficiency.

III. KEY COMPLIANCE REQUIREMENTS

SECTION 134(3) (n): The board of directors' report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company.

SECTION 177(4)(vii): Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—
(vii) Evaluation of internal financial controls and risk management systems.

SCHEDULE IV [Section 149(8)]
II. **Role and functions:**
The independent directors shall:

- help in bringing an independent judgement to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

Role of Audit Committee

The role of the Audit Committee shall include the following:

- Evaluation of internal financial controls and risk management systems;
- Review of the strategy for implementing risk management policy;
- To examine the organization structure relating to risk management
- Evaluate the efficacy of risk management systems;
- To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines;
- To define internal control measures to facilitate a smooth functioning of the risk management systems; and

Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

Risk Management

A. The company shall lay down procedures to inform Audit Committee/Board members about the risk assessment and minimization procedures.
B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

IV. RISK MANAGEMENT

Risk management, by and large involves reviewing the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.
The risk management process involves identifying the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action.

APPLICABILITY

The following steps to be taken:
Risk identification: To identify organization's exposure to uncertainty. Risk may be classified in the following:
i. Strategic
ii. Operational
iii. Financial
iv. Hazard

Risk Description: To display the identified risks in a structured format

- Name of Risk
- Scope of Risk Qualitative description of events with size, type, number etc.
- Nature of Risk Strategic, Operational, Financial, Hazard
- Quantification of Risk Significance & Probability
- Risk Tolerance/ Appetite Loss Potential & Financial Impact of Risk
- Risk Treatment & Control Mechanism a) Primary Means b) Level of Confidence c) Monitoring & Review
- Potential Action for Improvement Recommendations to Reduce Risk

- Strategy & Policy Development Identification of Function Responsible to develop
- Strategy & Policy
- To display the identified risks in a structured format

V. BOARD AND AUDIT COMMITTEE PRINCIPLES

The Board/Audit Committee has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial, Political and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

IDENTIFICATION OF RISK AND ANALYSIS

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Board of Director(S) along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Chairman and Managing Director or Whole Time Director through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Audit Committee or Board.

VI. RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

- **External Risk Factors**
  - Economic Environment and Market conditions
  - Political Environment
  - Competition

Inflation and Cost structure-

Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer time-frame, as much higher risks for inflation and resultant increase in costs.

Technology Obsolescence –

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

Legal –

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

- **Internal Risk Factors**

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

Risk Evaluation:
After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated accordingly.

Risk Estimation:
Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.
Impact level on performance/profit – Both Threats and Opportunities

Reporting

1. Internal Reporting
   a) Board of Directors and Audit Committee
   b) Vertical Heads
   c) Individuals

2. External Reporting
   a) To communicate to the stakeholders on regular basis as part of Corporate Governance.

VII. BOARD APPROVAL

The Action Plan and guidelines shall be approved by the Board before communication to the Key Managerial personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

- Risk Treatment

  Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a) Effective and efficient operations
b) Effective Internal Controls
c) Compliance with laws & regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

VIII. Artificial Intelligence (AI) Risk Management:

The Company recognizes the use of Artificial Intelligence (AI) tools and platforms as an emerging operational and regulatory risk area.
Accordingly:

1. All AI-related risks, including data leakage, confidentiality breaches, model inaccuracies, third-party dependencies, and regulatory non-compliance, shall be identified, assessed, and monitored as part of the enterprise risk management framework.
2. Use of AI tools involving business data shall be subject to prior approval and shall comply with the Company's AI Adoption & Usage Policy.
3. Risks arising from unauthorized or uncontrolled AI usage shall be classified as operational and compliance risks, with appropriate mitigation controls.

The Risk Management Committee and in its absence, Board of Directors of the company, shall periodically review:

1. AI-related risk exposure
2. Incidents and breaches (if any)
3. Adequacy of controls and policies

Any material AI-related risk event shall be escalated in accordance with the Company's risk escalation framework.

IX. REVIEW

This policy shall evolve by review by the Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

This Policy may be amended or substituted by the Audit Committee or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy.