GFCL EV PRODUCTS LIMITED

RISK MANAGEMENT POLICY

1. Objective and applicability

Provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain 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 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 Risk Management Policy ("Policy") is formulated under the requirements of Companies Act, 2013 or any requirements under any law. The Policy includes following:

a. A framework for identification of internal and external risks specifically 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 Board of Directors of the Company.

b. Measures for risk mitigation including systems and processes for internal control of identified risks.

c. Business continuity plan

2. Risk Management Framework

The Risk Management Framework at the Company comprises the following two elements:

1. **Risk Management process** that helps identify, assess, mitigation, manage and monitor & review the risks in the Company; and

2. **Risk Management structure** i.e. the roles and responsibilities for implementing the risk management.

<u>Risk Management Process</u>

a) Risk Identification

Each unit, business division and functional department is responsible for identifying the probable risks in their areas of operation, which is then escalated to the management level. The Internal Auditor coordinates with all corporate functions, units and zonal offices, seeking updation of existing risks as well as identification of new, emerging risks in their respective areas.

All risks applicable to company are identified via various methods such as Management interviews, Industry exposure and Public Literature.

The Company majorly focuses on the following types of risks:

- Operational
- Strategic
- Financial & Reporting
- Information Technology
- Compliance

b) Risk Assessment

Once risks are identified, they shall be prioritized on the basis of impact, dependability on other functions, effectiveness of existing controls, probability of re-occurrence, etc.

Risk assessment process includes determining Gross Risk Scores, Assess Mitigation Risk Scores and Determine Residual Risk Score. Based on the risk residual scores the risk is assessed with acceptance of Risk.

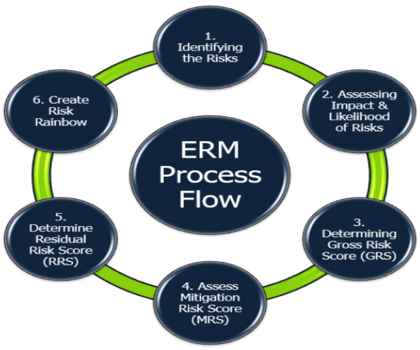
c) Risk Register

The Risk Register is categorised into four colours i.e. Red, Yellow, Orange and Green.

Red colour highlighted Risk are considered as "High Risk", Yellow and Orange colour highlighted risks are considered as "Medium Risk", while Green Colour highlighted risks are considered as "Low Risk".

Internal auditors are responsible for conducting internal risk review meetings, maintaining risk registers and suggesting best practices for strengthening the risk management process.

Internal auditors shall update the risk register annually and add any new material risk identified to the existing list. These will be taken up with respective functional/departmental heads for its mitigation.



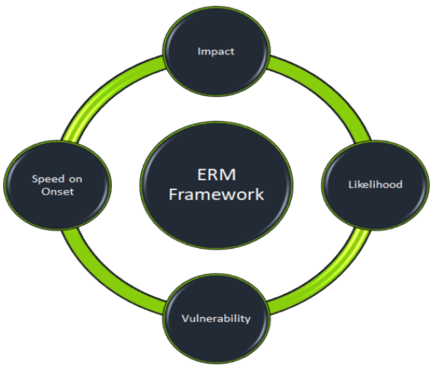
Identifying the Risks = In this stage, all risks applicable to company are identified via various methods such as Management interviews, Industry exposure and Public Literature

Assessing Impact & Likelihood of Risks = Impact & Likelihood of Risks are assessed as per Risk Management Framework.

Determining Gross Risk Score (GRS) = Impact & Likelihood of Risks identified above are multiplied to obtain Gross Risk Score.

Assess Mitigation Risk Score (MRS) and Determining Residual Risk Score (RRS)= Interviews are taken of respective stake holders and according to their strategies Mitigation scores are given. Which ultimately is reduced from Gross Risk Score to obtain Residual Risk Score (RRS)

Create Risk Rainbow = Risk Rainbow is created and final outcomes are shared.



Gross Risk Score = Impact x Likelihood

Residual Risk Score = Gross Risk Score – Mitigation Risk Score (Is the score awarded to the risk response strategies conducted by the management to either tolerate, terminate, transfer and treat the risk. This is a subjective exercise

Risk Appetite – On residual Score

Risk Score	Areas	Acceptance of Risk
16 – 25	Red	Board Level
09 – 15	Yellow	Executive Management
06 – 08	Orange	Departmental HODs
Less than 06	Green	Users

d) Risk Mitigation Measures

Risk Mitigation involves selecting and implementing actions to manage risks, after evaluating the cost-benefit analysis of such actions. For risk events assessed as 'high risk', we will formally define risk ownership, mitigation activities, responsibilities, and milestones. Action plans will be recorded in a risk register for each risk identified along with the timelines for implementation.

Each business/ functional head will be responsible for implementing the risk mitigation plan for relevant risks identified in their area of operation. Mitigation involves design and implementation of activities that help manage risks to an acceptable level.

Risk Management structure:

a) Role of Board of Directors

The Board's role is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

The Role and responsibility of the Board of Directors shall, inter alia, include the following:

1) To formulate a detailed risk management policy which shall include:

    a) A framework for identification of internal and external risks specifically 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 Board of Directors.

    b) Measures for risk mitigation including systems and processes for internal control of identified risks.

    c) Business continuity plan.

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

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

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

5) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Board of Directors.

The Board of Directors shall coordinate its activities with other committees and senior management, in instances where there is any overlap with activities of such committees and senior management, as per the framework laid down by the board of directors.

3. Business Continuity Plan

Business continuity plans will be defined for High-risk events to enable rapid response, and for protection of people and assets, in the event such risks materialize. Business Continuity Planning shall also be defined for critical facilities, technology function, etc. The risk owners will be responsible for laying out the crisis response mechanism, communication protocols, and conducting periodic training to ensure preparedness for business continuity.

4. Policy Review

Risks are ever changing in the business environment and there is a need to periodically re-visit the approach towards Risk Management. Accordingly, this policy shall be reviewed periodically by the

Board of Directors but at least once in two years. The Board shall be empowered to make amendments/ revision to this Policy as and when required.

5. Approval and Amendment

Any or all provisions of this Policy would be subject to the revision/ amendment to the Companies Act, 2013 or related circular, notification, guidance notes issued by Ministry of Corporate Affairs or relevant authority, on the subject from time to time. Any such amendment shall automatically have the effect of amending this Policy without the need of any approval by the Board of Directors or any of its Committees.

Name of Policy	Risk Management Policy
Created by	Secretarial Department
Approved by	Board of Directors
Effective from	14-11-2024