RISK MANAGEMENT POLICY

SOLARWORLD

SOLARWORLD ENERGY SOLUTIONS LIMITED

(formerly known as Solarworld Energy Solutions Private Limited)

1. PREAMBLE

This Risk Management Policy ("Policy") has been formulated in accordance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), as amended from time to time, particularly Regulation 21 and Part D of Schedule II thereof, and the Companies Act, 2013 ("Act"), particularly Section 134(3)(n) read with the relevant rules thereunder. This Policy aims to establish a robust framework for identifying, assessing, monitoring, and mitigating risks that could impact the Company's objectives, operations, financial performance, and sustainability.

The Policy ensures that the Company maintains a structured approach to risk management, fostering a culture of proactive risk awareness and compliance. It aligns with the Board's fiduciary duties under the Act and the oversight responsibilities outlined in SEBI LODR Regulations.

2. OBJECTIVE AND PURPOSE

The Policy is intended to enable the company to adopt a defined process for managing its risks on an ongoing basis. Risk is an inherent aspect of the dynamic business environment. The primary objectives of this Policy are:

i. To identify potential risks that may adversely affect the Company's business, operations, reputation, or financial health.
ii. To assess the likelihood and impact of identified risks and prioritize them for mitigation.
iii. To implement effective controls and strategies to manage and mitigate risks within acceptable thresholds.
iv. To monitor and review the effectiveness of risk management measures on an ongoing basis.
v. To ensure timely reporting and disclosure of material risks to the Board, Risk Management Committee (RMC), and stakeholders, in compliance with SEBI LODR Regulations and the Act.
vi. To promote a risk-aware culture across all levels of the organization, emphasizing accountability and continuous improvement.

3. DEFINITIONS AND INTERPRETATION

i. **“Act”** means the Companies Act, 2013, as amended from time to time and the rules made thereunder.

ii. **“Audit Committee”** means the Audit Committee constituted under Section 177 of the Companies Act, 2013 by the Board of Directors of the Company.

iii. **“Board”** means Board of Directors of Solarworld Energy Solutions Limited.

iv. **“Company”** means Solarworld Energy Solutions Limited.

v. **“Risk”*** Risk is an event which can prevent, hinder and fail to further or otherwise obstruct the enterprise in achieving its objectives. A business risk is the threat that an event or action will adversely affect an enterprise’s ability to maximize stakeholder value and to achieve its business objectives. Risk can cause financial disadvantage, for example, additional costs or loss of funds or assets. It can result in damage, loss of value and /or loss of an opportunity to enhance the enterprise operations or activities. Risk is the product of probability of occurrence of an event and the financial impact of such occurrence to an enterprise.

a) Strategic Risk are associated with the primary long-term purpose, objectives and direction of the business.
b) Operational Risks are associated with the on-going, day-to-day operations of the enterprise.
c) Financial Risks are related specifically to the processes, techniques and instruments utilized to manage the finances of the enterprise, as well as those processes involved in sustaining effective financial relationships with customers and third parties.
d) Knowledge Risks are associated with the management and protection of knowledge and information within the enterprise.

(*as defined in Standard of Internal Audit (SIA) 13 issued by the Institute of Internal Auditors)

vi. **"Risk Management"** encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

vii. **"SEBI Listing Regulations"** means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

viii. **Risk Appetite:** Risk appetite is the amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

ix. **"Policy"** means Risk Management Policy

4. REGULATORY FRAMEWORK

i. Requirement as per Companies Act, 2013

a) Responsibility of the Board: As per Section 134 (n) of the Act, the 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 stability of the Company.

b) Responsibility of the Audit Committee: As per Section 177 (4)(vii) of the Act, the Audit Committee shall act in accordance with the terms of reference specified by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems.

c) Responsibility of the Independent Directors: As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

ii. Requirement of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015

a) As per Regulation 17(9)(b) of SEBI Listing Regulations, the Board shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

b) As per Regulation 21(4) of SEBI Listing Regulations, the Board 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.

c) As per Schedule II - Part C of SEBI Listing Regulations, the role of Audit Committee includes evaluation of internal financial controls and risk management systems.

5. APPLICABILITY

This Risk Management Policy applies to the whole of the Company and includes all units, divisions and functions.

6. RISK MANAGEMENT COMMITTEE

i. The Risk Management Committee ("Committee") of the Company shall have a minimum of three Members with the majority of them being members of the board of the directors, including at least one Independent Director. The Chairperson of the Committee shall be a member of the Board and senior executives of the Company may be members of the Committee. The Company Secretary shall act as the Secretary to the Committee.

ii. **Quorum -** The quorum for a meeting of the Risk Management 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.

iii. **Meetings -** The Committee shall meet at least twice in a financial year or as frequently as may be considered necessary by the Chairperson of the Committee. There should not be a gap of more than 210 days between two consecutive meetings.

iv. 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.

7. RISK PROFILE

The identification and effective management of risks is critical in achieving strategic and business objectives of the Company. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

i. Strategic Risks

a) Lack of responsiveness to the changing economic or market conditions, including commodity prices and exchange rates, that impact the Company's operations;
b) Ineffective or poor strategy developed;
c) Ineffective execution of strategy.

ii. Financial Risks

a) Financial performance does not meet expectations;
b) Capital is not effectively utilized or managed;
c) Cash flow is inadequate to meet financial obligations;
d) Financial results are incorrectly accounted for or disclosed; and
e) Credit, market and/or tax risk is not understood or managed effectively

iii. Operational Risks

a) Difficulties in commissioning and operating a particular business;
b) Unexpected increase in the costs of the components required to run a business;
c) Adverse market conditions;
d) Failure to meet the expenditure commitments on prospecting/ marketing particular business;
e) Inadequate or failed internal processes, people and systems for running a particular business.

iv. Investment Risks

Failure to provide expected returns for defined objectives and risk such as underperforming to the stated objectives and/or benchmarks.

v. People's Risk

a) Inability to attract and retain quality people;
b) Inadequate succession planning;
c) Inappropriate work culture & ethics;
d) Inefficient whistle blower mechanism and;
e) Inappropriate policy for woman safety at work place;
f) Inadequate upgradation in terms of training and skills.

vi. Legal and Regulatory Risks

a) Legal / Commercial rights and obligations are not clearly defined or misunderstood; and
b) Commercial interests not adequately protected by legal agreements.

vii. Information Systems: Temporary failure of Hardware/ Software/ Power

viii. Compliance Risks: Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards

8. RISK MANAGEMENT FRAMEWORK

The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow to manage risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, coordination & documentation.

The Company's approach to risk management is summarized as below:

i. **Risk identification:** This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes need to be identified by the Company and their key activities to be 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.

ii. **Risk assessment:** The Risk assessment methodology shall include:

   a) collection of information;
   b) identification of major risks;
   c) rating of each risk on the basis of;
   d) Consequence
   e) Exposure
   f) Probability
   g) prioritization of risks;
   h) function-wise exercise on risk identification, risk rating, control;
   i) Function-wise setting the level of responsibility and accountability.

iii. **Risk analysis:** Risk Analysis should be conducted using a risk matrix for likelihood and Impact, 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.

iv. **Risk treatment:** Risk mitigation options are considered in determining the suitable risk treatment strategy. For the risk mitigation steps, the cost benefit analysis needs to be evaluated. Action plans supporting the strategy are recorded in a risk register along with the timelines for implementation.

v. **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 a foundation for the development of an effective risk register, containing both the definitions and the guidance necessary for the process of assessing and mitigating risks identified within functions and associated processes. In the situation where the accepted risk of a particular nature cannot be adequately mitigated, such risk shall form part of consolidated risk register along with the business justification and their status shall be continuously monitored and periodically presented to Risk Management Committee and Audit Committee.

9. RISK APPETITE

A critical element of the Company's Risk Management Framework is the risk appetite.

The key determinants of risk appetite are as follows:

i. Shareholder and investor preferences and expectations;

ii. Expected business performance (return on capital);
iii. The capital needed to support risk taking;
iv. The culture of the organization;
v. Management experience along with risk and control management skills;
vi. Longer term strategic priorities.

Risk appetite is communicated through the Company's strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

10. ROLE OF THE BOARD OF DIRECTORS

The Board will take the following actions to ensure effective risk management:

i. **Plan Development:** Frame, implement, and monitor the risk management plan.
ii. **Role Definition:** Define the Risk Management Committee's roles and responsibilities, delegating tasks as necessary.
iii. **Oversight:** Ensure appropriate risk management systems are in place.
iv. **Independent Judgment:** Independent directors will provide unbiased input on risk management issues and verify the robustness of risk management systems.
v. **Decision Participation:** Engage in major decisions that affect the organization's risk profile.
vi. **Strategic Monitoring:** Continuously monitor processes for managing strategic risks and ensure controls are effective.
vii. **Accountability Framework:** Establish a clear accountability framework for risk delegation that is documented and monitored.
viii. **Integration in Reporting:** Ensure risk management is included in board and annual reporting mechanisms.
ix. **Committee Convening:** Convene necessary board committees to address risk management effectively.

11. ROLE OF THE MANAGEMENT

i. The Management is responsible for monitoring the existence and effectiveness of processes and controls to manage risk efficiently and effectively, thereby facilitating the achievement of the Company's strategic and business objectives;

ii. To assist the Board in discharging its responsibility in relation to risk management.

12. ROLE OF THE RISK MANAGEMENT COMMITTEE

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 evaluation of adequacy of risk management system.

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.

13. ROLE OF THE AUDIT COMMITTEE

i. The Committee is delegated with responsibilities in relation to risk management and the financial reporting process of the Company.

ii. The Committee shall also be responsible for evaluation of risk management systems.

14. DISCLOSURE IN BOARD'S REPORT

The Board of Directors will include a statement in the annual report regarding the development and implementation of the risk management policy, highlighting any risks that may threaten the company's existence.

15. REVIEW

This policy will be reviewed at least once a year to ensure it complies with relevant legislation and meets the needs of the organization.

16. AMENDMENT TO POLICY

Any subsequent notification, circular, guidelines or amendments in the Act, SEBI Listing Regulations or any other applicable statutory or regulatory law shall forthwith be implemented by the Company and consequent changes in this Policy shall be carried out and be communicated on the relevant platform.

Any amendment for the reasons other than those mentioned above shall need approval by the Board of Directors.

17. PUBLICATION OF POLICY

This Policy will be available on the Company’s website and the key features of the Policy will be published in the Annual Report as well.