



**RISK MANAGEMENT POLICY**

**OF**

**INSOLATION ENERGY LIMITED**

**{Pursuant to SEBI (Listing Obligations and  
Disclosure Requirements) Regulations,  
2015}**

Adopted on 5<sup>th</sup> April, 2022  
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**1. LEGAL FRAMEWORK:**

The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

The Companies Act, 2013 requires the Company to lay down policy which includes the procedure for risk assessment and risk minimization. The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

**2. INTRODUCTION:**

The Board of Directors of Insolation Energy Limited has adopted a Risk Management Policy (“Policy”) in compliance with the requirements of Section 134 of the Companies Act, 2013 (“the Act”) and Regulation 17(9) and Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

**3. APPLICABILITY:**

This policy applies to all areas of the Company’s operations.

**4. OBJECTIVE & PURPOSE OF POLICY:**

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk-related issues.

**5. RISK FACTORS:**

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

**External Risk Factors**

- Economic Environment and Market conditions
- Political Environment
- Competition
- Revenue Concentration
- Inflation and Cost structure-
- Inflation is inherent in any business and thereby there is a tendency of costs to go higher.
- 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.
- Fluctuations in Foreign Exchange

**Internal Risk Factors**

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

**6. IMPERATIVES:**

All managers and above must implement Insolation Energy Limited Principles of Risk Management as follows:

- **Accountability:** Identify and manage the risks that relate to their role;
- **Risk Appetite:** Determine the level of risk, after the implementation of controls, that they are prepared to accept such that there is no significant threat to achieving their objectives; and
- **Risk Mitigation:** Put adequate controls in place, and ensure that they are operational, in order to deliver their objectives.

All Business & Functional Heads must ensure that the risk management activities, as outlined in Company's Risk and Control Frameworks, are being undertaken in their areas of responsibility.

All leadership teams must complete an annual holistic risk discussion during which:

- Key business risks for which they are responsible are identified;
- How those risks are being managed is reviewed; and
- Any gaps in their desired risk appetite are identified

For those risks where significant gaps have been identified, leadership teams must perform regular reviews and ensure risks are mitigated as desired. All project leaders of transformational projects must, together with their teams, identify the key risks associated with their project achieving its objectives. Risk mitigation plans must be prepared and progress reviewed with the project steering group.

## **7. SPECIFIC RISK CLAUSE: FOREIGN CURRENCY TRANSACTION RISK**

This clause outlines the dedicated framework and mandatory procedures for identifying, assessing, and mitigating foreign currency risk, recognizing that "Fluctuations in Foreign Exchange" is a key External Risk Factor for Insolation Energy Limited.

### **Objective and Principle**

The primary objective is to mitigate, but not eliminate, the adverse impact of foreign exchange rate volatility on the Company's export and import cash flows.

The Company mandates the Principle of Underlying:

- No derivative deal shall be done without an underlying transaction available to hedge.
- The Company shall not engage in speculative foreign currency trading.

### **Mitigation Strategy (Hedging Instruments and Norms)**

- Permitted Instruments: The Company shall use instruments permitted by the RBI for Rupee & Foreign Currency Derivatives, primarily:
  - Forward Foreign Exchange Contracts
  - Rupee & Cross Currency Options
  - Structured Products (subject to Board approval).
- Hedging Scope: This policy covers all short-term and long-term foreign currency exposures in import and export transactions.
- Target & Trigger Rate Mechanism (Operating Norms): The Company shall manage its trade payables (imports) using the following strategy:
  - Target Rate: All imports and advance orders should be booked at a targeted exchange rate advised by the respective business department, linked to the customer offer price.
  - Trigger Rate: A trigger rate (stop-loss limit) shall be fixed per transaction. If the market touches this limit (e.g., USD appreciates), the liability must be immediately hedged to prevent further loss.
  - Hedging Window: Payments falling due within the next 30 to 45 days shall be prioritized for hedging.

**8. SPECIFIC OBJECTIVES OF THE RISK MANAGEMENT POLICY:**

- To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, and managed i.e. to ensure adequate systems for risk management.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

**9. ROLE OF THE BOARD:**

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- Ensure that the appropriate systems for risk management are in place.
- The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- Participate in major decisions affecting the organization's risk profile;
- Have an awareness of and continually monitor the management of strategic risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- Convene any board committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

**10. CONSTITUTION OF RISK MANAGEMENT COMMITTEE:**

The Board has authority to constitute the Risk Management Committee from time to time as it deems appropriate. The Risk Management Committee shall meet twice in a financial year. The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings. The Committee shall assist the Board in framing policy, guiding implementation, monitoring, and reviewing the effectiveness of Policy and practices. The

Committee shall act as a forum to discuss and manage key strategic and business risks.

**11. DISCLOSURE IN BOARD'S REPORT:**

The Company shall disclose in its Board's Report, in line with Section 134(3)(n) of the Companies Act, 2013, a statement indicating the development and implementation of this Risk Management Policy, including identification of elements of risk which may threaten the existence of the Company. The Company shall also disclose, as part of its Corporate Governance Report under SEBI Listing Regulations, the constitution of the Risk Management Committee, its terms of reference, and summary of its activities.

**12. REVIEW:**

The policy shall be reviewed by the Board from time to time as may be necessary.

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