RISK MANAGEMENT POLICY

[Approved by the Board of Directors on April 23, 2025]

Effective from April 01, 2025

Owner: Corporate Secretarial Department

Last modified Date: NA

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RISK MANAGEMENT POLICY

Introduction

The Risk Management Policy ("**Policy**") is formulated under the requirements of Regulation 21(4) of the Securities and Exchange Board of India (Listing obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"). The Listing Regulations state as under:

To formulate a detailed Risk Management Policy which shall include:

- a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environment, Social and Governance related risks), information, cyber security risks, legal and regulatory risks or any other risk as may be determined by the committee;
- Measures for risk mitigation including systems and processes for internal control of identified risks; and
- Business continuity plan.

Refex Industries Limited ("Refex" or "the Company") recognizes that enterprise risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

Refex established in 2002 in Chennai, Tamil Nadu, primarily operates in ash and coal handling, refrigerant gases, power trading and EV Mobility sectors across India.

In 2018, Refex began offering ash and coal handling services to thermal power plants. By 2022, it had ventured into the power trading space with a Category-I license, and in 2023, it entered the electric vehicle (EV) mobility segment.

The Company also owns and operates a 5 MW solar power plant located in Vituza village, Barmer, Rajasthan. Lately, the Company has also forayed into Wind Power Business though its Subsidiary i.e. Venwind Refex Power Limited.

Constitution of Risk Management Committee

The Board has constituted the "Risk Management Committee" and it is in line with the requirements of the Listing Regulations. This Policy and the terms of reference of Risk Management Committee are integral to the functioning of the Risk Management Committee and are to be read together.

The Board has authority to reconstitute the Risk Management Committee from time to time as it deems appropriate.

Risk Management Process

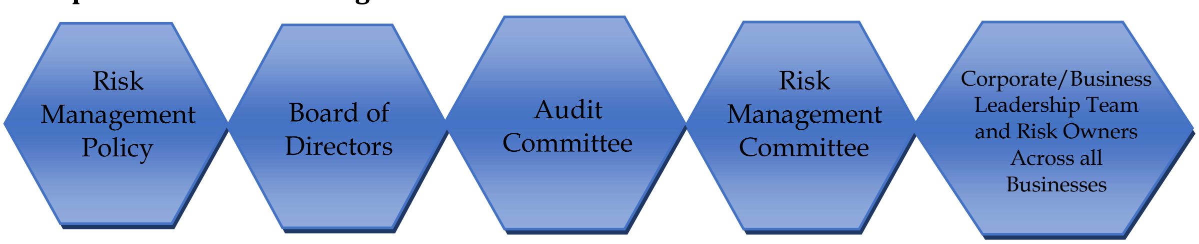
- **Risk Identification-** Identifying all the potential risks that could impact the Company and its business continuity.
- **Risk Assessment-** Analysis and evaluation of the operating risks to determine probability of occurrence and impact.
- **Risk Prioritization-** Prioritizing risks by level of severity to reduce any liability or loss.
- **Risk Mitigation-** Strategies and tactics to ensure business survival.
- **Risk Monitoring-** Tracking the risks to determine the effectiveness and adjusting the risk management plan to further reduce the impact.

Philosophy and approach to Risk Management

Risk Management is integral to Company's strategy and towards achievement of its long-term goals. Our success as an organization depends on our ability to identify and leverage the opportunities created by our business and the markets, we operate in. In doing this the Company takes an embedded approach to Risk Management which puts risk and opportunity assessment at the core of the Board's agenda.

The Company defines risks as actions or events that have the potential to impact our ability to achieve our objectives. The Company identifies and mitigates downside risks such as loss of money, reputation or talent as well as upside risks such as failure to deliver strategy, if it does not strengthen brand equities or growth. The Company's Risk Management approach is embedded in the normal course of business.

Enterprise-Level Risk Management Framework



Board of Directors

The Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company. The Board shall on recommendation of the Risk Management Committee adopt the Risk Management Policy and critically review the risk governance and monitoring mechanism.

The Board shall meet at least once in a year to review the major risks faced by the Company and the status of their mitigation plan.

Audit Committee

The Audit Committee shall meet at least once in a year to oversee the risk management and internal control arrangements and shall also evaluate internal financial controls and risk management systems of the Company.

Risk Management Committee

Risk Management Committee shall assist the Board in framing policy, guiding implementation, monitoring, and reviewing the effectiveness of Risk Management Policy and practices. The Committee shall act as a forum to discuss and manage key strategic and business risks.

Corporate/ Business Leadership Team and Risk Owners Across all Businesses
All managers and above must implement Refex's 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 respective areas of the Business segment.

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.

Classification of Risks
The risk can be classified as follows: Firstly, the risk can be identified as being internal or external, secondly subject matter wise the risk can be classified as:

I. Operational risks;
II. Financial risks;
III. Sectorial risks;
IV. Sustainability risks;
V. Information, Cyber security risks;
VI. Legal and Regulatory risks; and
VII. Other risks

I. OPERATIONAL RISKS

Operational risks/ Business risks relate to the day-to-day business activities carried out within an organization, arising from business operations, structure, systems, people, products or processes. The Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Broadly, below are the indicative risks associated to operations:

1. Competition, imports, economic cycle and uncertainties in the domestic markets.
2. Temporary shutdowns of factory for maintenance/ repair work.
3. Leakage in the pipelines, storage tanks and other facilities.
4. High cost of inputs / packing materials, disruption of supply chain, e.g. raw material, unavailability of requisite manpower, etc.
5. Space constraints for smooth operations and warehousing.
6. Change in Government policy.
7. Inadequate coverage of insurance policies in certain circumstances.
8. Force majeure events affecting operations like floods, fire, inclement weather, acts of war or terrorism, etc.

Measures for risk mitigation: The Company shall take following steps to mitigate the aforesaid operational risks:

- Improving quality of its services and products.
- Continuous investment in research and development and technology for improvements.
- Introduction of new products and new categories.
- Reducing dependence on import suppliers by domestic sourcing and in-house manufacturing.
- Continuous endeavor to reduce raw materials/packing and other input costs by reducing single vendor approach and adopting auction-based procurements.
- Reduction in power and fuel costs by investing in alternative energy resources.
- Producing and supplying good quality products. Tightening selection criteria and parameters.
- Hiring more space to cope up with issue of space constraint.
- Having Marine insurance, Transit insurance, Fire insurance, Industrial All Risk insurance policies and maintain a Group Mediclaim Policy and Group Personnel Accident insurance plan. Maintaining insurance coverage of the type and in the amounts which commensurate with business operations.
- Strict adherence to the government policies with respect to the taxation of import or domestic production, price mechanism and consumption of fuel and gases.

II. FINANCIAL RISKS

Financial risk is the possibility of losing money on an investment or business venture.
1) Claims from debtors due to quality and other issues in the past supplies, return of goods and consequent delays in recovery of dues.
2) High interest cost.
3) Any change in Indian tax laws, including the upward revision to the currently applicable normal corporate tax rate of 30.00% along with applicable surcharge and cess, could affect our tax burden.
4) Any adverse order passed by the appellate authorities, tribunals or courts would have an impact on our profitability.
5) High financial risks in the form of credit risk, volatility in the equity market, change in interest rates, foreign exchange rates, monetary policies framed by the Government and Reserve Bank of India.
6) Investments in real estate linked instruments, the performance of which depends upon proper identification of projects, its timely execution and real estate market at the time of completion of the project.
7) Investments in equity, debt and real estate markets are always subject to market fluctuation risks.

Measures for risk mitigation:

With the all-round efforts to increase the turnover, profitability and resultant liquidity position of the Company, the Company may meet its financial obligations to bank in time;

- Accounts of sticky debtors to be reconciled and settled.
- Application to relevant authority to consider group exports as permitted under the applicable laws.
- Investments to be analyzed and approved taking into account risk profile and the performance to be reviewed at least once a month with the help of experts.
- Reducing the size of its investment portfolio and parking surplus funds primarily in safe, liquid assets.
- Insuring domestic and exports trade receivables to avoid credit risks from customers
- Avoid investments in equity, real estate and debt products with high duration.
- Exploring opportunities of cash and carry trades, participating in early discount payments, supply chain financing programs to avoid credit risks and better cash flow management. This will also ensure lower borrowing and reduced financing expenses.
- Doing hedge for the foreign exchange exposures to the extent possible.

III.SECTORAL RISKS

a) Refrigerant Gases

Refrigerants are chemicals that have the ability to absorb heat, and hence used to cool products owing to their ability to absorb heat. Refrigerants are essential to modern refrigeration systems, such as refrigerators, air conditioners, chillers, freezers, and in various industrial applications (manufacturing, chemicals, food & beverages, pharmaceuticals etc.). The refrigerant market is influenced by various factors including global economic conditions, industrial growth, regulatory changes, technological advancements, and environmental considerations. The sectoral risks for refrigerant gas business primarily revolves around price volatility, supply chain disruptions, transition to low-Global Warming Potential (GWP) alternatives, demand supply imbalance leading to price increase etc.

b) Ash Handling

Ash is employed to strengthen concrete, improve soil fertility, replace traditional bricks, reinforce roads, treat wastewater, support ceramics manufacturing, aid in land reclamation, create synthetic aggregates, establish environmental barriers, and contribute to artificial reef ecosystems. Primary sectoral risks include risks with respect to environmental regulations, market demand fluctuations, need for sustainable practices for ash disposal, financial challenges, competition from alternative materials etc.

c) Coal Handling

Coal remains a crucial component of India's energy mix, providing energy security amidst growing demand. And the industry contributes significantly to economic growth through job creation, infrastructure development, and industrial output. However, it also faces scrutiny due to its environmental impact, particularly concerning air pollution and greenhouse gas emissions and stringent environmental regulations are brought into place to combat the same along with adoption of cleaner renewable resources of power. The economic viability of coal has been impeded by competition from such sources. Further, fluctuating international coal prices and market demand are heavily impacting the profitability and stability of the coal industry. Opportunities exist for innovation and adoption of cleaner coal technologies such as supercritical and ultra supercritical power plants to enhance efficiency and reduce emissions. There are further opportunities for investment in modernizing infrastructure, improving mining practices, and developing sustainable coal technologies (the likes of carbon capture and storage). Navigating these opportunities and challenges requires strategic planning, technological innovation, regulatory compliance, and a balanced approach towards sustainable development in the coal sector.

d) Power Trading

The Power Trading business faces several sectoral risks, including regulatory changes, market price volatility, supply chain disruptions, and environmental regulations. These risks can impact power generation, pricing, and market dynamics. Additionally, fuel price fluctuations, technological obsolescence, and the integration of renewable energy sources also present challenges.

e) Green Mobility

Refex Green Mobility Limited operates its 100% electric 4-wheeled vehicles. The Company offers a comprehensive package that includes 100% electric vehicles, drivers with training and verified backgrounds, a cutting-edge technology platform, and dedicated support teams. The Green Mobility business faces several sectoral risks, including Vehicle Cost, Battery Technology, Infrastructure, Vehicle Design and Performance, etc.

f) Renewables

The Primary sectoral risks in Renewables business include Inconsistent Policies and Regulations, Multiple Regulatory Authorities, Limited Grid Capacity, Lack of Interconnection Infrastructure, Dependence on Imports, Environmental and Social Concerns, Price Fluctuations, etc.

Measures for risk mitigation:

Numerous business sectoral risks affect the Company. Refex has established an extensive risk management framework (RMF) that is customized to meet the unique requirements of each of the company's several business areas. The RMF helps the Company anticipate risks, and put the appropriate remedial actions in place. Senior management of the Company actively monitors the efficacy of the risk management procedures. Good risk management can lessen risks' effects, strengthen organizational procedures, and get the organization ready to face any eventualities/contingencies Refex is primarily focused on the prompt detection, assessment, and mitigation of potential risks because it is composed of a management team with extensive experience from a range of industries and excellent leadership.

IV. SUSTAINABILITY RISKS, LEGAL AND REGULATORY RISKS

ENVIRONMENT, SOCIAL AND GOVERNANCE RELATED RISKS

Environmental, social and governance (ESG) are three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and return of investments. Responsible investors evaluate companies using ESG criteria as a framework to screen investments or to assess risks in investment decision-making.

Environmental factors determine a company's stewardship of the environment and focus on waste and pollution, resource depletion, greenhouse gas emissions, deforestation, and climate change. Social factors look at how a company treats people and focuses on employee relations and diversity, working conditions, local communities, health and safety, and conflict. Governance factors take a look at corporate policies and how a company is governed. They focus on tax strategy, executive remuneration, donations and political lobbying, corruption and bribery, and board diversity and structure.

Environmental risks created by business activities have actual or potential negative impact on air, land, water, ecosystems, and human health. The Company shall take proper steps for managing resources and preventing pollution, reducing emissions and climate impact, and executing environmental reporting or disclosure.

The Company shall undertake social activities such as promoting health and safety, encouraging labor management relations, protecting human rights and focusing on product integrity. Social positive outcomes include increasing productivity and morale, reducing turnover and absenteeism and improving brand loyalty.

The rapidly changing legislative framework in India requires a very stringent compliance by corporate entities to the provisions of the Companies Act, 2013, Secretarial Standards, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and various other regulations framed by SEBI on a regular basis, which provide stringent provisions including imposition of penalty and prosecution. As also the frequent amendments/Notifications in Direct and Indirect taxation need to be updated and reviewed.

LEGAL AND REGULATORY RISKS

As such, compliance related risks have assumed high importance. Legal risk refers to the potential for losses arising from the breach of laws, regulations, contractual obligations, or non-compliance with legal requirements. This risk may result in litigation, regulatory penalties, reputational damage, or financial loss. Sources of legal risks includes Changes in laws or regulations affecting business operations, Failure to comply with existing legal or regulatory requirements, Inadequate contract management or breach of contract terms, Intellectual property infringement, Employment law disputes, Misinterpretation of legal obligations and Data protection and privacy law violations. In addition to these, there are several laws which govern the operation of any factory, and the Company is exposed to various compliances under the Factories Act, 1948, Pollution Law, etc. The Legal and Secretarial department shall review the legislative changes to ensure that the Company complies with the changing regulations as a constant monitoring process and in time. Timely publication of financial results, annual accounts, seeking various approvals from members etc. are also important aspects of Compliance Related risk.

Measures for risk mitigation:

To mitigate legal risks, the Company follows a proactive approach that includes implementing robust internal policies, conducting regular legal audits, and ensuring all contracts and business activities are reviewed. An internal legal team, supported by external advisors, when necessary, provides ongoing guidance to ensure compliance and reduce the likelihood of disputes. Regular employee training is conducted to promote awareness of legal obligations, while strong documentation practices and a structured dispute resolution mechanism help the Company respond effectively to any legal challenges. These measures collectively help safeguard the Company's operations, reputation, and compliance posture.

V) INFORMATION AND CYBER SECURITY RISK

Information (Data) and Cyber security risk is the probability of exposure or loss resulting from a cyberattack or and data breach on the organization. Organizations are becoming more vulnerable to cyber threats due to the increasing reliance on computers, networks, programs, social media and data globally. Data breaches, a common cyberattack, have massive negative business impact and often arise from insufficiently protected data. The proliferation of technology enables more unauthorized access to the organization's information than ever before. Third-parties are increasing provided with information through the supply chain, customers, and other third and fourth-party providers. The risk is compounded by the fact that organization is increasingly storing large volumes of personally identifiable information on external cloud providers that need to be configured correctly in order to sufficiently protect data.

Data breaches have massive, negative business impact and often arise from insufficiently protected data.

The following as potential targets under cyber security risk:

- Customer data
- Employee data
- Intellectual property
- Third party vendors
- Product quality and safety
- Contract terms and pricing
- Strategic planning
- Financial data

Measures for risk mitigation:

The Company shall take the following steps to mitigate the aforesaid information and Cyber Security risks: Cyber security risk management is generally set by the management in the planning processes. The Information Technology Team is responsible for establishing and maintaining the enterprise vision, strategy and program to ensure information assets and customer data is adequately protected. The following steps shall be taken on this behalf:

- Administering security procedures, training and testing
- Maintaining secure device configurations, up-to-date software, and vulnerability patches
- Deployment of intrusion detection systems and penetration testing
- Configuration of secure networks that can manage and protect business networks
- Deployment of data protection and loss prevention programs and monitoring
- Restriction of access to least required privilege
- Encryption of data where necessary
- Proper configuration of cloud services
- Implementation of vulnerability management with internal and third-party scans
- Recruitment and retention of cybersecurity professionals

VI) OTHER RISKS (HAZARD RISKS)

Other risks refer to a broad category of uncertainties that may not fall under typical financial, legal, or regulatory classifications but can still significantly impact business operations. These may include reputational risk, which arises from negative public perception; geopolitical risk, which includes political instability, trade restrictions, or international tensions that could affect the Company's market or supply chain. These risks are often external, unpredictable and interconnected, requiring close monitoring and flexible management approaches.

Hazard risks involves exposure to events that can cause physical harm to people, property, or the environment. This includes natural disasters such as earthquakes, floods, and storms, as well as man-made incidents like fires, explosions, industrial accidents, and public health crises. These risks can lead to significant damage, injury, or even loss of life, along with operational disruption and financial losses.

Measures for risk mitigation:
To mitigate other risks, the Company has implemented robust crisis communication plans, actively monitor public sentiment, engage in transparent stakeholder communication, diversify its supply chain, and maintain flexible sourcing strategies to adapt to changing geopolitical landscapes. In addressing hazard-related risks, the Company has established a comprehensive risk management system that includes regular risk assessments of facilities, strict adherence to health and safety protocols, installation of fire safety and emergency response systems, and compliance with local safety standards. Regular safety drills, employee training, and awareness programs are conducted to ensure preparedness. The Company also maintains insurance coverage for key assets and liabilities to reduce financial impact.

Business Continuity Plan
As part of its overall risk management policy, the Company has established a Business Continuity Plan (BCP) to ensure uninterrupted operations during unforeseen events such as natural disasters, cyber incidents, supply chain disruptions, or political and economic instability. The BCP outlines key processes for maintaining critical business functions, protecting stakeholder interests, and minimizing operational downtime. It includes defined roles and responsibilities, backup systems for data and communications, alternate work arrangements, and regular testing through mock drills and scenario planning. The BCP is reviewed and updated periodically to reflect changing risk landscapes and operational needs, ensuring organizational resilience and preparedness at all levels.

Policy reviews and Amendment

This Policy is framed in accordance with the provisions of the Listing Regulations. The Policy shall be reviewed once in every two years by the Risk Management Committee or more frequently if required due to regulatory updates or significant changes in business operations. Any changes or modification to the Policy shall be recommended by the Risk Management Committee and be placed before the Board of Directors for its review and approval.

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.

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