RISK MANAGEMENT POLICY

INTRODUCTION:

TruAlt Bioenergy Limited (the "**Company**") recognises that Enterprise Risk management is an integral part of good management practice. Section 134(3)(n) of the Companies Act, 2013 requires the Company to frame a Risk Management Policy to identify various elements of internal and external risks and steps to mitigate the same. Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every 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 purpose of this policy is to articulate our approach and expectations in relation to the management of risk across the organisation. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

The board of directors of the Company (the "**Board**"), in the meeting held on 21st March 2024 have adopted the Risk Management Policy ("**Policy**") and procedures with regard to risk management. This Policy shall apply to all areas of the Company's operations. The present version of this policy is effective from 19th February, 2025 and supersedes all prior policies and communication on this matter. This Policy will be posted on the Company's website at https://www.trualtbioenergy.com/

Effective risk management allows us to:

- Improve confidence in achieving organisational strategies/goals
- Mitigate various relevant risks at tolerable levels
- Make informed decisions
- Strengthen the corporate governance standards by anticipating and addressing risks ahead of its occurrence

Purpose & Objective:

The primary objectives of the risk management, inter-alia, are to:
- To embed the management of risk as an integral part of our business processes;
- To establish an effective mechanism for risk identification, analysis, evaluation and treatment within all areas and all levels of the Company;
- Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and threats so as to avoid exposure to significant financial loss;
- To enable compliance with appropriate regulations, wherever applicable by adopting best practices.

Policy Statement:

- All employees are responsible for managing risk in so far as is reasonably practicable within their area of activity.
- Sound risk management principles and practices will become an integral part of the normal management strategy for all departments within the Company.
- Will ensure that the necessary resources are made available to those accountable and responsible for the management of risk.
- This policy will be reviewed and updated as required on an annual basis or in the event of a significant change of circumstances.

Roles and Responsibilities:

In accordance with Regulation 4(2)(e) and (f) of SEBI Listing Obligations the Board of Directors of the Company ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards. Thus the responsibility of management of risk lies upon the Risk Management Committee.

However, with a view to ensure effective and efficient execution, the Board may delegate authority and responsibility on the Senior Management team including department heads/plant heads/SBU heads as the case may be. Managers, at all levels, are required to create an environment where the management of risk is accepted as the personal responsibility of all employees, volunteers and contractors.

The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the Company in accordance with Regulation 17(9)(b) & Regulation 21(4) of SEBI LODR. The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen half yearly (for every 6 months of the financial year) by the Board.

The process of risk management includes prioritization of risks, selection of appropriate mitigation strategies and periodic review of the process of management of risks.

Risk Evaluation:

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. As an integral and unavoidable component of business, our Company is committed to managing the risk in a proactive and effective manner. Though risk cannot be eliminated the under-mentioned activities may be done:

- **Transfer:** Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract.
- **Retention:** Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and.
- **Avoidance:** Avoided, by not entering into risky businesses.
- **Reduction:** Reduced, by having good internal controls.
- **Sharing:** Shared, by following a middle path between retaining and transferring risk.

Business Continuity Plan

Business Continuity Plan (BCP) is a step-by-step guide to follow response to a natural or man-made crisis or any other incident that negatively affects the firm's key processes or service delivery. The objective of the Business Continuity Plan is to support the business process recovery in the event of a disruption or crisis. This can include short or long-term crisis or other disruptions, such as fire, flood, earthquake, explosion, terrorism, tornadoes, extended power interruptions, hazardous chemical spills, Epidemic and Pandemic and other natural or man-made disasters.

Composition of Risk Management Committee

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, 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. The Secretary will be responsible for taking adequate minutes of the proceedings and reporting on actions taken in the subsequent meeting.

The 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.

Quorum

The quorum necessary for transacting business at a meeting of the Committee shall be either two members or one-third of the members of the Committee, whichever is higher, including at least one Independent Director being present.

A duly convened meeting of the Committee at which the requisite quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Meetings

The Committee shall meet at least twice annually or as frequently as may be considered necessary by the Chairperson of the Committee.

Roles and Responsibilities of Risk Management Committee

The Committee would be the apex body whose responsibilities shall include the following:

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 evaluating the adequacy of risk management systems;

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 Committee shall coordinate its activities with other committees, in instances where there is any overlap with the activities of such committees, as per the framework laid down by the board of directors.

Risk Management Framework: Risk Identification & Mitigation:

I. **Risk to Company's assets and property**:

There is a risk of theft, pilferage, natural disasters etc.

Mitigation methodology: It is ensured that there is proper security and maintenance of assets including sufficient insurance cover, wherever required.

II. **Personnel Risk:**

There is risk of Accident, illness, attrition etc.

Mitigation methodology: Employees constitute the most important of any organization and keeping that in view, the Company has proper recruitment policy for recruitment of personnel at various levels of the Organization and efficient HR administration.

III. **Business Risk:**

The business is dependent on the sale of ethanol. Any reduction in the sale of ethanol or any regulations on pricing may have an adverse effect on the business, results of operations and financial condition. Ethanol that is produced is used in specific industries such as mobility and aviation as fuel, and in the specialty chemicals industry. The Company may face challenges relating to reduction in sale of ethanol, owing to factors such as reduced demand for its products, seasonality of demand in the end-industries that require ethanol, increased competition, pricing pressures, loss of market share (including pursuant to import of ethanol from outside India), macro-economic conditions in the key markets or the markets of the key end-customers. The distillery units are therefore sensitive to weather conditions such as cropping patterns, droughts, floods, cyclones and other natural disasters.

Mitigation methodology: The Company addresses this risk by entering into long term contracts for supply of sugar, sugar syrup and molasses. The Company also endeavours and enters into long term contracts with its customers for supplying its finished products.

IV. **Regulatory Risk:**

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosures are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards. The business is dependent on the policies and incentives of the Government of India ("**GoI**"). Any change in GoI policies in this regard could have an impact on our revenue, results of operations and financial condition.

Mitigation methodology: The Company ensures that qualified professionals are employed to comply with various applicable laws in respective departments/areas. In addition to statutory audits the Company also undertakes internal audits at different levels periodically to ensure timey check on the statutory compliances. Strict adherence to regulations.

V. **Credit Risk:**

There is a risk involved in late/delayed payment of invoices by debtors.

Mitigation methodology: Sufficient payment security mechanism is established wherever applicable for timely recovery of outstanding dues. Further, long-term contracts for supply of Company's products includes payment terms which is monitored from time to time.

VI. **Geographical risk:**

The company's factory units, which have been commissioned, are located in the Bagalkot district of Karnataka. While the location is strategic owing to its proximity to the 'sugar belt' and allows the Company access to the key raw materials, the geographical concentration of the units exposes it to regional adversities in the district and the state. Factors such as earthquakes, other natural disasters, any significant social, political or economic disturbances or infectious disease outbreaks, could reduce the ability to supply the products and adversely affect sales and revenues from operations.

Mitigation methodology: The Company takes steps to reduce the vulnerability of natural resources and organizes mitigation training. Strategic locations identified for effective business operations.

VII. **Operational risk:**

The production units are dependent on adequate and uninterrupted supply of electricity, stream and fuel. Any shortage or disruption in electricity, steam or fuel supply may lead to disruption in operations, higher operating cost and consequent decline in our operating margins. Further, the Company is subject to operating risks associated with handling of such hazardous materials during transportation such as leakages and ruptures from containers, explosions, and the discharge or release of toxic or hazardous substances, which in turn may cause personal injury, property damage, destruction of inventory of finished goods and/or raw materials and environmental contamination.

Further, any unscheduled, unplanned or prolonged disruption of the production processes, including on account of power failure, industrial accidents, fire, mechanical failure of equipment, performance below expected levels of output or efficiency, obsolescence, non-availability of adequate labour, or disagreements with the workforce, lock-outs, could affect the results of operations. Further, any significant malfunction or breakdown of the equipment or machinery may involve significant repair and maintenance costs and cause delays in the operations.

Mitigation methodology: The Company functions under a well-defined organization structure. Proper planning is done for maintenance of inventories of raw materials, key spares and tools to ensure smooth operations of the Company. 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. The Company takes adequate measures for handling of hazardous materials and strictly complies with the related regulations.

VIII. **Legal risk**:

Legal risk is the risk in which the Company is exposed to any legal action. As the Company is governed by various laws and regulations, hence the company is exposed to legal risk if there is any violation done.

Mitigation methodology: As the Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure it has an experienced team of professionals, advisors who can shoulder the risk.

IX. **Environment, Health and Safety Risks:**

The Company is subject to increasingly stringent environmental, health and safety laws, regulations and standards. Non-compliance with and adverse changes in health, safety, labour, and environmental laws and other similar regulations applicable to the Company's operations may adversely affect the business, results of operations and financial condition.

Mitigation methodology: Environment clearance has been obtained and all environmental compliances are done regularly. Safety standards are issued to reduce the risk levels in high-risk areas.

X. **Economic environment and market conditions:**

Economic slowdowns or factors that affect the economic health of our clients and the said industries may increase risk to our revenue growth. A sustained adverse economic downturn and/or suspension of its operations in any business, affecting revenue and free cash flow generation, may cause stress on the company's ability to raise financing at competitive terms.

***Mitigation methodology:** Strategically, the Company seeks to maximise the potential turnover and at the same time secure additional volumes from existing clients on the basis of satisfactory performance in its supply. The effort to enhance quality of service/execution and upgrading their performance parameters are aimed at deriving optimum value from the existing client base.*

XI. **Cyber-attack and data leakage:**

Increasing concern for user data privacy, data leakage, and number of cyber-attacks are the reason for rising attention to the question of data security, which became more relevant in recent years. The increasing number of devices connected to the Internet not only creates more data but also makes it more vulnerable and not very well protected. It is expected that security analytics costs will raise up. Thus, it is critical to keep up with the latest trends in the field of data security.

Mitigation methodology: IT systems under regular supervision by professionals.

Policy review and Amendments:

Review of this Risk Management Policy, including compliance with internal controls under various functional areas – is to be undertaken by the Board with the views of other Directors including the Managing Director, and the Audit Committee, from time to time, and at least once in two years, so as to ensure effectiveness of the Policy.

In case of any conflict between the provisions of this Policy and of the statutory provisions, the statutory provisions shall prevail over this Policy. Any subsequent amendment/ modification in the statutory provisions shall automatically apply to this Policy.

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