



**POLICY AND PROCEDURE FOR ENQUIRY IN CASE OF LEAK/ SUSPECTED LEAK
OF UNPUBLISHED PRICE SENSITIVE INFORMATION OF
PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED**

Document Control

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POLICY AND PROCEDURE FOR ENQUIRY IN CASE OF LEAK/ SUSPECTED LEAK OF UNPUBLISHED PRICE SENSITIVE INFORMATION

1. Background

The SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended by the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 (“SEBI Insider Trading Regulations”) mandates every listed company to formulate a written policy and procedures for inquiry in case of leak or suspected leak of unpublished price sensitive information (“UPSI”) and initiate appropriate action on becoming aware of leak or suspected leak of UPSI and inform Securities and Exchange Board of India (“SEBI”) promptly of such leaks, inquiries and results of such inquiries. In this regard, Board of Directors of Paras Defence and Space Technologies Limited (“the Company”) has laid down this policy for Procedure of Inquiry in case of leak or suspected leak of UPSI (“the Policy”)

2. Objective

To strengthen the internal control system to prevent leak of UPSI.

- (i) To restrict and prohibit the practice of sharing of UPSI, with the un-authorized person, which originates from within the Company and which affects the market price of the Company as well as loss of reputation and loss of investors’ / financiers’ confidence in the Company.
- (ii) To have a uniform code to curb the un-ethical practices of sharing UPSI by Insider, employee & Designated Person with any person, firm, company or body corporate.
- (iii) To initiate inquiry in case of leak of UPSI or suspected leak of UPSI and promptly inform the same to the SEBI.
- (iv) To take disciplinary actions, if deemed fit against any Insider, employee & Designated Person who appears to have found guilty of violating

3. Scope

To lay down the procedures for inquiry in case of leak of USPI or suspected leak of UPSI and inform SEBI promptly of such leaks, inquiries and results of such inquiries.

4. Definitions

- (a) **“Board”** means the Board of Directors of the Company.
- (b) **“Company”** means Paras Defence and Space Technologies Limited.
- (c) **Investigating Officer (“IO”)** Investigating Officer shall mean the Compliance Officer of the Company appointed by the Board of Directors pursuant to the SEBI Insider Trading Regulation.
- (d) **“Enquiry Committee”** shall mean the enquiry committee constituted by the Board to investigate instances, allegations or suspicion of a Leak in accordance with the principles laid down in the Inquiry Policy.

- (e) **“Leak”** shall mean dissemination of any Unpublished Price Sensitive Information by any Insider, employee, Designated Person, any Connected Person or any other person in possession of Unpublished Price Sensitive Information, to any person other than those persons authorized by the board of directors or the Compliance Officer to handle Unpublished Price Sensitive Information in accordance with the Insider Trading Regulations, and the term **“Leaked”** shall be construed accordingly.
- (f) **“Unpublished Price Sensitive Information”/ “UPSI”** shall have the meaning as ascribed to it under the Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders of the Company (**“Code”**).

Capitalised terms used herein but not specifically defined shall have the meanings ascribed to them under the Code.

5. The Inquiry Policy shall come into force with effect from 07th March, 2020

6. Constitution of Inquiry Committee

In case of actual or suspected leak of UPSI, a Committee shall be constituted by the Board or by the Committee of the Board or of such person(s) as may be authorized by the Board or Committee in this behalf, to be called as “Inquiry Committee” to perform such duties as may be prescribed by this Code or by any other applicable law for the time being in force. The Inquiry Committee shall consist of minimum 3 (three) Members which shall include Chief Financial Officer and Investigating Officer and / or any other officer(s) of the Company as the Board or the Committee of the Board, may deem fit. The Board or Committee of the Board may change / alter / re-constitute the Inquiry Committee as may be required from time to time.

7. Duties of Investigating Officer

The IO shall be responsible to;

- (i) Oversee the compliance of this Policy.
- (ii) To co-ordinate with and disclose the relevant facts of the incident of actual or suspected leak of UPSI to the Inquiry committee.
- (iii) Report the incident of actual or suspected leak of

8. Procedure for inquiry in case of a Leak/ suspected Leak

- (a) Upon becoming aware of any Leak or any allegations or suspicions of a Leak, including, by way of:
- (i) communication received from regulatory authorities; or
 - (ii) a written complaint and/or email received from a whistle-blower; or
 - (iii) Company’s own / internal monitoring, etc.

the Board shall, in consultation with the Compliance Officer, evaluate and determine if the matter merits any enquiry or investigation. It is clarified that market rumours, inferences based on media reports, or observations made by analysts, etc. will not be the only determining factors for initiating a preliminary enquiry, and the Board shall, in

consultation with the Compliance Officer, have the discretion to decide if a preliminary enquiry is required to be undertaken, in each such case.

- (b) In the event the Board decides that the matter warrants an investigation, it shall promptly constitute an Enquiry Committee, comprising such persons as the Board deems fit, to undertake a fact finding exercise in the matter (the “**Enquiry**”).
- (c) As an initial step, the Enquiry Committee shall undertake a preliminary investigation and analyse the accuracy of the allegation/ suspicion of Leak (“**Initial Assessment**”) by taking the necessary steps, such as:
 - (i) assessing the source and type of complaint/ allegation/ suspicion;
 - (ii) assessing the nature of Leak/ suspected Leak, in order to determine the scope of investigation, the parties who had access to the UPSI and the manner in which it could have been Leaked; and
 - (iii) conducting interviews with the complainant, in the event his/ her identity is known, and other relevant stakeholders, in connection with the matter.
- (d) On the basis of the outcome of the Initial Assessment, the Enquiry Committee shall determine if:
 - (i) the allegation or suspicion is frivolous, and requires no further action; or
 - (ii) the matter requires further internal diligence and investigation.

The Enquiry Committee will report its findings to the Board along with a summary of the process followed, its recommendations and reasons thereof. Based on the report and recommendations of the Enquiry Committee, the Board shall discuss and decide if the matter requires to be investigated further.

- (e) If the Board requires the Enquiry Committee to undertake a detailed investigation, the Enquiry Committee shall conduct the Enquiry and take all requisite steps, including but not limited to, the following:
 - (i) identifying the medium through which the leaked UPSI was disclosed /communicated;
 - (ii) conducting a confidential investigation into the activities of the persons that typically handled, or had knowledge of the UPSI in question, in an un-intrusive manner, including by reviewing the relevant documents, audit trails, and conducting interviews, where deemed necessary;
 - (iii) appointing external advisors/ professionals to assist in the conduct of Enquiry; and
 - (iv) re-assessing the internal controls and measures implemented by the Company for identifying deficiencies, if any, in such controls and measures, and recommending improvements to the same.
- (f) The Enquiry Committee will ensure that the details in relation the Enquiry, including the Initial Assessment, are shared within and outside the organisation strictly on a “need to know” basis. In cases where the Enquiry has been initiated based on a complaint from a

whistle-blower, the Enquiry Committee will keep the identity of the whistle-blower confidential.

(g) In the conduct of Enquiry, the Enquiry Committee shall have due regard to the principles of natural justice, and will provide an opportunity of being heard and making submissions, etc., to the persons against whom allegations of Leak have been levelled. The Enquiry Committee will be required to consider the same while arriving at its conclusions.

(h) Once the Enquiry is concluded:

(i) the Enquiry Committee will intimate the Board of its findings, along with a summary of the process followed while conducting the investigation;

(ii) if the Inquiry Committee is of the opinion that a Leak has occurred, and in the event the Enquiry Committee has identified the person responsible for, or involved in the Leak, it will make appropriate recommendations to the Board for the actions to be taken in that regard, including 'disciplinary action' such as dismissal, wage freeze, suspension, recovery, clawback and ineligibility for future participation in employee stock option plans, etc.;

(iii) the Board shall, as appropriate, take disciplinary and penal action and any other steps it deems necessary, against the persons identified as being responsible for, or involved in, the Leak. It is clarified that any action taken by the Securities and Exchange Board of India (the "SEBI") for violation of the Insider Trading Regulations and any other applicable law shall not preclude the Board from taking any disciplinary action in accordance with the recommendations of the Enquiry Committee.

(iv) The Enquiry Committee shall strive to conclude the Enquiry within 10 working days from its commencement. It is clarified that the period for conclusion of the Enquiry may be extended with the prior permission of the Board, if the circumstances so require.

(i) The Board shall also inform SEBI of the outcome of the Enquiry and the steps taken by the Board in that regard.

The Inquiry Policy shall not in any way preclude any referrals, complaints, measures, actions etc. which can be instituted or which are available under the existing Vigil Mechanism and Whistle-blower Policy of the Company.

9. Amendment

The Board shall have the power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace this policy entirely with a new Policy.