POLICY AND PROCEDURE FOR ENQUIRY IN CASE OF LEAK OR SUSPECTED LEAK OF UNPUBLISHED PRICE SENSITIVE INFORMATION

OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Document Control

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1. BACKGROUND

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the "SEBI PIT Regulations") as amended from time to time, mandates every listed company to formulate a written policy and procedures for inquiry in event of any leak or suspected leak of Unpublished Price Sensitive Information ("UPSI"), initiate appropriate inquiry on becoming aware of any leak or suspected leak of UPSI and inform SEBI promptly of such leaks, the inquiries initiated 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" or "Leak Enquiry Policy")

This Policy is to be read together with Company's Code for Prohibition of Insider Trading and Fair Disclosure of UPSI and Whistle Blower Policy.

2. OBJECTIVE

The objective of this Policy is to:

(i) establish a clear, structured, and time-bound procedure for the identification, inquiry, and resolution of any leak or suspected leak of Unpublished Price Sensitive Information originating from within, or passing through, the Company

(ii) strengthen the Company's internal controls to prevent the unauthorised disclosure of UPSI to any person not authorised to receive it

(iii) ensure prompt and coordinated action upon awareness of a leak or suspected leak, so as to contain potential harm to investors and to the Company's reputation;

(iv) comply with the obligation under Regulation 9A of the SEBI PIT Regulations to inform SEBI promptly of leaks, inquiries initiated, and the results thereof

(v) identify deficiencies in internal controls and processes that may have contributed to a leak, and recommend systemic improvements

(vi) take appropriate disciplinary and penal action against any Insider, Designated Person, employee, or other person found to be responsible for or involved in a Leak, in accordance with the PIT Code and applicable law; and

(vii) protect investors, shareholders, and other stakeholders from the adverse consequences of unequal access to price-sensitive information.

3. SCOPE

3.1 This Policy applies to all leaks and suspected leaks of Unpublished Price Sensitive Information, regardless of:

a) whether the UPSI originated from within the Company or was received by the Company from an external source (such as another listed entity, a counterparty, or an advisor) in connection with a legitimate business transaction;

b) whether the person responsible for the leak is an employee, director, Designated Person, Connected Person, or any other person who had access to UPSI; and

c) whether the leak was intentional, negligent, or inadvertent.

3.2 For the avoidance of doubt, a "suspected leak" includes situations where:

- unusual price or volume movement in the Company's securities is observed prior to public announcement of material information;
- a regulatory authority, stock exchange, or depository raises a query regarding potential information asymmetry;
- a whistle-blower or any other person reports a concern relating to improper sharing of UPSI; or
- the Compliance Officer has any other reasonable basis to suspect that UPSI may have been improperly disclosed.

3.3 This Policy does not apply to the disclosure of information that constitutes Generally Available Information at the time of disclosure, or to the sharing of UPSI for Legitimate Purposes in accordance with the PIT Code and the Company's Policy for Determination of Legitimate Purpose.

4. DEFINITIONS

(a) **"Audit Committee"** means the Audit Committee constituted by the Board in accordance with the Companies Act, 2013 and the SEBI LODR Regulations.

(b) **"Board"** means the Board of Directors of the Company.

(c) **"Company"** means Paras Defence and Space Technologies Limited

(d) **"Compliance Officer"** means the Company Secretary and Compliance Officer designated under the PIT Code, who is the nodal officer responsible for administering this Policy.

(e) "**Leak**" means the dissemination of any Unpublished Price Sensitive Information, whether originating from within the Company or received by the Company from an external source, by any Insider, employee, Designated Person, any Connected Person or any other person in possession of UPSI, to any person not authorized by the Board of Directors or the Compliance Officer to handle UPSI, in accordance with the SEBI PIT Regulations or the Company's PIT Code. The term "**Leaked**" shall be construed accordingly.

(f) "**SEBI**" means the Securities and Exchange Board of India.

(g) **"Whistle Blower Policy" or "WBP"** means the Vigil Mechanism and Whistle Blower Policy of the Company, as amended from time to time

In this Policy, unless the context otherwise requires, the following expressions shall have the meanings assigned to them above. Capitalised terms not defined herein shall have the meanings assigned to them in the PIT Code

5. TRIGGERS AND IMMEDIATE OBLIGATIONS

5.1. Triggers

A Leak or Suspected Leak may come to the attention of the Company through any of the following, without limitation:

a) a query or communication received from SEBI, the stock exchange, the depositories, or any other regulatory or statutory authority;

b) a written complaint, email, or anonymous communication received through the WBP or any other channel;
c) the Company's own internal monitoring, including review of the SDD, access logs, email audit trails, or trading surveillance;
d) unusual price or volume movement in the Company's securities ahead of a public announcement;
e) media reports, analyst commentary, or market rumours that contain information consistent with UPSI that has not yet been made generally available;
f) any other circumstance that gives the Compliance Officer reasonable grounds to suspect a Leak.

5.2. Immediate Obligations on First Awareness

Upon first becoming aware of any possible Leak or Suspected Leak, through any of the triggers or otherwise within 24 hours:

a) make a preliminary note of the trigger, the information received, the date and time of awareness, and the source;
b) preserve all immediately available evidence, including by ensuring that relevant emails, documents, electronic communications, and SDD records are not deleted, altered, or overwritten (see Clause 8 on Interim Measures);
c) verbally notify the Chairperson of the Audit Committee; and
d) assess whether Interim Measures (Clause 7) need to be immediately implemented.

6. PROCEDURE FOR INQUIRY

6.1 Enquiry Committee - Constitution and Composition

Wherever this Policy requires an Enquiry Committee, it shall be constituted by the Audit Committee (with Board ratification at the next Board meeting) and shall consist of:

a. at least 3 members, including at least one senior officer of the Company not directly involved in the matter and at least one Independent Director or member of the Audit Committee; and
b. where the Suspected Leak involves a Board member, the MD/CMD, or the Compliance Officer — at least one external, independent professional (such as a forensic auditor, legal counsel, or retired judicial or regulatory officer) shall be appointed as a member. In such cases, no member of the management implicated in the allegations shall participate.

The Chairperson of the Enquiry Committee shall be designated by the Audit Committee from among its members.

The inquiry procedure shall follow four sequential stages:

6.2 Stage 1 - Preliminary Inquiry by Compliance Officer

(a) The Compliance Officer shall conduct a Preliminary Inquiry immediately upon first awareness, without waiting for Board or Audit Committee approval.

(b) The Preliminary Inquiry shall assess:
- (i) the nature and source of the trigger
- (ii) whether the information suspected to have been leaked constitutes UPSI as defined in the PIT Code
- (iii) whether the UPSI, if any, originated from within the Company or was received from an external source;
- (iv) the approximate period during which the UPSI was in existence as UPSI;
- (v) which persons or categories of persons had authorised access to such UPSI, by reference to the SDD; and

(vi) whether the concern appears frivolous, prima facie credible, or requires urgent action. Company's own / internal monitoring, etc.

(c) On completion of the Preliminary Inquiry, the Compliance Officer shall submit a written Preliminary Inquiry Report to the Chairperson of the Audit Committee, recommending one of the following:

(i) No further action required (with reasons);
(ii) Constitute an Enquiry Committee for Initial Assessment; or
(iii) Immediate escalation to the Board and concurrent SEBI notification (in cases of apparent and serious Leaks).

6.3 Stage 2 - Audit Committee Decision and Enquiry Committee Constitution

On receipt of the Preliminary Inquiry Report, the Chairperson of the Audit Committee shall convene an emergency meeting of the Audit Committee (which may be held through video conference) to consider the Compliance Officer's recommendation. If the Audit Committee concludes that the matter warrants an enquiry, it shall promptly constitute the Enquiry Committee. The constitution of the Enquiry Committee and the subject matter of the Enquiry shall be communicated to the Board at its next meeting for ratification.

6.4 Stage 3 - Initial Assessment by Enquiry Committee

(a) As an initial step, the Enquiry Committee shall undertake an Initial Assessment to:

(i) Review and verify the Compliance Officer's Preliminary Inquiry Report
(ii) assess the scope of the potential 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) review the SDD to identify all persons recorded as having received the relevant UPSI during the relevant period, and to assess whether the SDD entries are complete, timely, and accurate
(iv) review relevant email records, electronic communications, access logs, and trading data;
(v) interview the whistle-blower or complainant (where their identity is known and they consent);
(vi) identify the persons who appear to have had access to the relevant UPSI; and
(vii) assess the credibility and seriousness of the allegation.

(b) 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 Detailed Enquiry.

6.5 Stage 4 - Detailed Enquiry and Final Report

(a) Where the Enquiry Committee determines that a Detailed Enquiry is required, it shall conduct the Enquiry taking all necessary steps, including but not limited to:

(i) identifying the medium and channels through which the Leaked UPSI was disclosed /communicated including digital channels (email, messaging platforms, file-sharing), physical documents, verbal communications, and any other means;

(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.

(b) On conclusion, the Enquiry Committee shall submit a Final Report to the Audit Committee and Board, covering: (i) a summary of the inquiry stages and findings of fact; (ii) whether a Leak occurred and, if so, through what channel, by whom, and to whom; (iii) whether the Leak was intentional, reckless, or inadvertent; (iv) impact on investors and the Company's securities; (v) recommendations for disciplinary action against identified persons; (vi) recommendations for internal control remediation; and (vii) any referrals to SEBI, law enforcement, or other regulatory authorities.

The Board shall review the Final Report and determine the disciplinary action to be taken and the remediation steps to be implemented.

7. INTERIM MEASURES

Upon becoming aware of a Leak or Suspected Leak, the Compliance Officer and subsequently the Enquiry Committee shall have the authority to implement the following Interim Measures, without prejudice to the formal Enquiry procedure, to preserve evidence, contain the Leak, and protect investors:

(a) **Evidence preservation**: issuing an immediate instruction to all relevant departments (including IT, HR, Finance, and Secretarial) to preserve, and not delete or alter, all emails, electronic communications, documents, access logs, and SDD records relating to the relevant UPSI and the relevant time period;
(b) **Access restriction**: where the Leak or Suspected Leak points to a specific individual or group, temporarily restricting their access to UPSI systems, files, and databases pending conclusion of the Enquiry, in a manner that is proportionate and does not tip off the Subject;
(c) **Trading freeze**: recommending to the Compliance Officer that the Trading Window be closed or that pre-clearance approvals for Designated Persons in the relevant area be suspended or, in serious cases, requesting the depository to impose a PAN-level freeze on specific accounts where there is a reasonable basis to suspect that the Leak has been, or may be, used for insider trading;
(d) **Regulatory co-ordination**: where the Leak or Suspected Leak appears to have already affected trading in the Company's securities, promptly co-ordinating with the relevant stock exchange(s) and/or SEBI to flag potential market manipulation or insider trading; and
(e) **Communication restriction**: issuing specific instructions to relevant personnel not to discuss the matter with any person not involved in the Enquiry, and not to delete, forward, or copy any relevant communications.

All Interim Measures implemented shall be recorded in writing by the Compliance Officer with the date and time of implementation.

8. REGULATORY REPORTING OBLIGATIONS

The Company must report any Leak or Suspected Leak or any material outcome, along with the inquiry initiated and its outcome, to SEBI, the stock exchanges, and any other relevant authorities, in the form, manner, and timelines prescribed by applicable regulations from time to time.

9. STANDARDS FOR CONDUCT OF ENQUIRY

The Enquiry must be fair, independent, and confidential throughout.

On fairness, once the Initial Assessment is complete the Subject must be told the allegations in sufficient detail to respond, given a proper opportunity to be heard and produce evidence, and no adverse finding may be made without that opportunity. The Whistle Blower's identity is not disclosed to the Subject without their consent.

On confidentiality, all participants share information strictly on a need-to-know basis and must not communicate the existence or progress of the Enquiry to anyone outside it, including senior management, unless the Audit Committee directs otherwise.

On independence, any Enquiry Committee member with a conflict of interest must recuse and notify the Audit Committee Chairperson. Where specialist skills are needed, external forensic auditors, legal counsel, or IT experts may be engaged, subject to confidentiality undertakings.

The standard of proof is balance of probabilities as this is an internal fact-finding exercise, not a quasi-judicial proceeding.

10. DISCIPLINARY AND REMEDIAL ACTION

10.1 Action Against Person Found Responsible

Where the Enquiry confirms a Leak and identifies person(s) responsible, the Board shall take such disciplinary and remedial action as it deems appropriate, which may include one or more of the following:

(a) formal warning or censure;
(b) suspension with or without pay;
(c) termination of employment or engagement;
(d) recovery of financial losses caused to the Company;
(e) clawback of compensation, bonuses, or incentives;
(f) ineligibility for future participation in employee stock option plans;
(g) disgorgement of profits made or losses avoided by trading on the Leaked UPSI, for remittance to the Investor Protection and Education Fund (IPEF) as applicable;
(h) referral to SEBI, law enforcement agencies, or other regulatory authorities for such action as they deem appropriate under applicable law; and/or
(i) civil proceedings for recovery of damages.

10.2 Independence of SEBI's Powers- Any disciplinary action taken by the Company under Clause 11shall not preclude SEBI or any other regulatory or law enforcement authority from taking independent action against any person for violation of the SEBI PIT Regulations or any other applicable law. The Company shall co-operate fully with any such investigation or proceeding.

11. COORDINATION WITH THE COMPANY'S WHISTLE BLOWER POLICY AND PIT CODE

Where a concern relating to a Leak or Suspected Leak is received under the Whistle Blower Policy ("WBP"), the Compliance Officer may initiate action under this Policy. Any inquiry shall be coordinated with the WBP to avoid duplication, while preserving whistle blower confidentiality and protection.

The Compliance Officer and/or Enquiry Committee shall, where relevant, rely on the applicable provisions of the Company's PIT Code, including the Structured Digital Database, Trading Window restrictions, Legitimate Purpose Policy, UPSI definition, and the Informant Mechanism. Matters may be referred to between this Policy, the WBP and the PIT Code, as appropriate, to ensure effective implementation.

12. RECORD RETENTION AND SEBI CO-OPERATION

All records pertaining to an inquiry under this Policy including the Preliminary Inquiry Report, evidence collected, interview notes, Enquiry Committee reports, Board decisions, SEBI communications, and actions taken shall be preserved in a confidential, secure manner for a minimum period of 8 (eight) years from the date of conclusion of the inquiry or the final SEBI communication, whichever is later. In the event of any ongoing regulatory investigation or legal proceedings, records shall be preserved until conclusion.

All records shall be maintained in a tamper-evident format with appropriate access controls. The Compliance Officer shall maintain an indexed register of all inquiries conducted under this Policy, covering: the date of first awareness, the nature of the trigger, the outcome of the Preliminary Inquiry, whether an Enquiry was constituted, the date of the Final Report, and the action taken.

13. REVIEW AND AMENDMENT

The Board of Directors reserves the right to amend this Policy at any time. Any amendment shall be recommended by the Compliance Officer, reviewed by the Audit Committee, and approved by the Board. In case of any amendment to the SEBI PIT Regulations or any other applicable law that affects the obligations set out in this Policy, the Compliance Officer shall promptly initiate a review of this Policy to bring it into conformity. All amendments shall be reflected in the Document Control table and communicated to all relevant persons.

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