VIGIL MECHANISM AND WHISTLE BLOWER POLICY

OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Document Control

Document Title	Vigil Mechanism and Whistle Blower Policy of Paras Defence and Space Technologies Limited
Version	4.0
Effective Date	07th March, 2020
Amendment Date	24th July, 2026
Document Owner	Secretarial and Compliance
Document Approver	Board of Directors

VIGIL MECHANISM AND WHISTLE BLOWER POLICY

1. INTRODUCTION

Paras Defence and Space Technologies Limited (the "Company") is committed to the highest standards of ethical conduct, transparency and accountability. This Policy establishes a structured Vigil Mechanism and Whistle Blower framework that enables any person, whether an Employee, Director, or any other person associated with the Company, to report genuine concerns about unethical conduct, violations of law, financial irregularities, or any other wrongdoing, without fear of retaliation or victimisation.

This Policy is framed in compliance with and pursuant to the following legislation, regulations, and internal frameworks:

a) Section 177(9) and 177(10) of the Companies Act, 2013, which mandate the establishment of a vigil mechanism for Directors and Employees to report genuine concerns and provide adequate safeguards against their victimisation;

b) Regulation 22 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), as amended from time to time, which extend the protections under the vigil mechanism to Directors, Employees, and any other person who avails the mechanismrequires direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases;

c) Chapter IIIA of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended ("SEBI PIT Regulations") establishes a dedicated Informant Mechanism for reporting violations of the insider trading regulations directly to SEBI, and mandates listed companies to incorporate specific protections against retaliation for persons who avail such mechanism;

d) Schedule II, Part E of the SEBI LODR Regulations, assigns the Audit Committee the responsibility of reviewing the functioning of the vigil mechanism;

e) The Company's internal policies, including the Code for Prohibition of Insider Trading and Fair Disclosure of UPSI (the "PIT Code") and the Policy and Procedure for Enquiry in Case of Leak or Suspected Leak of UPSI (the "UPSI Leak Policy"), both as amended from time to time.

In the event of any inconsistency between this policy and any applicable law or regulation, the applicable law or regulation shall prevail.

2. OBJECTIVE

The objectives of this Policy are to:

a) provide a formal, safe, and accessible channel for Employees, Directors, and any other person to report genuine concerns about unethical conduct, violations of law, financial irregularities, or any other wrongdoing within the Company;
b) ensure that all concerns raised under this Policy are properly received, acknowledged, and addressed in a timely and fair manner;
c) provide effective protection against retaliation, discrimination, or victimisation to any person who raises a genuine concern under this Policy, regardless of whether they choose to disclose their identity;

d) give effect to the Company's obligations under Chapter IIIA of the SEBI PIT Regulations, including the protection of persons who report insider trading violations to SEBI through the Informant Mechanism;
e) complement the Company's UPSI Leak Policy, PIT Code, and other internal governance documents, and ensure that concerns related to insider trading or UPSI leaks are channelled through the appropriate internal and regulatory mechanisms;
f) promote a culture of openness, ethical conduct, and accountability across the Company; and
g) protect the Company's reputation, assets, and the interests of its shareholders and stakeholders.

3. APPLICABILITY AND SCOPE OF THE POLICY

3.1. Applicability

This Policy applies to and is available to:

a) all permanent, contractual, part-time, temporary, and seconded employees of the Company at all levels;
b) all Directors of the Company, whether executive, non-executive, or independent;
c) any other person associated with the Company, including but not limited to former employees, vendors, suppliers, contractors, consultants, customers, agents, intermediaries, and any other stakeholder or third party who has or had a business relationship with the Company.

The Company recognises that concerns may arise from any of the above, and this Policy is designed to be accessible to all.

3.2 Scope of Reportable Concerns

A concern may be raised under this Policy in respect of any of the following, whether actual, ongoing, or reasonably apprehended:

i. breach of any law, statute, regulation, or judicial or administrative order applicable to the Company;
ii. financial irregularities, including fraud, embezzlement, misrepresentation, manipulation of accounts, or any irregularity in accounting policies and procedures;
iii. acts resulting in financial loss to the Company, misappropriation of assets or funds, or damage to the Company's reputation;
iv. misuse of office, abuse of authority, bribery, or corruption;
v. leak or suspected leak of Unpublished Price Sensitive Information (UPSI), or any violation of the SEBI PIT Regulations or the Company's PIT Code, concerns of this nature shall also be governed by the UPSI Leak Policy, and the Compliance Officer shall ensure appropriate cross-referencing of the two procedures;
vi. failure to comply with health, safety, or environmental obligations;
vii. harassment, discrimination, or any conduct that violates the Company's Code of Conduct or applicable employment laws; and
viii. any other unethical, improper, or illegal conduct or activity that the person reasonably believes has occurred, is occurring, or is likely to occur.

3.3 Matters Outside the Scope of this Policy

This Policy is not a substitute for the Company's standard grievance redressal mechanism and should not be used for the following:

a) personal grievances relating to compensation, promotion, or service conditions, unless such grievances evidence broader wrongdoing covered under Clause 3.2 above;
b) complaints already addressed through other available internal processes, where no new information is being provided; and
c) concerns that are clearly vexatious, malicious, or made without any reasonable basis.

4. DEFINITIONS

Unless otherwise specified in this Policy, the following terms shall bear the meanings respectively assigned to them herein.

(a) **"Audit Committee"** shall refer to the Audit Committee constituted by the Board of Directors of the Company in accordance with the Companies Act and 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"** shall mean the officer of the Company appointed by the Board of Directors in accordance with applicable law.

(e) **"Informant"** means a person who files a Voluntary Information Disclosure Form (VIDF) with the Office of Informant Protection (OIP) of SEBI under Chapter IIIA of the SEBI PIT Regulations. An Informant may also be a Whistle Blower under this Policy.

(f) **"Investigating Authority"** means the Compliance Officer, the Enquiry Committee constituted under the UPSI Leak Policy, or such other person(s) as may be designated by the Audit Committee to investigate a concern under this Policy.

(g) **"Protected Disclosure"** means a written communication made in good faith by a Whistle Blower, disclosing or demonstrating information that may evidence an unethical or improper activity, a violation of law, or conduct falling within the scope of this Policy. A Protected Disclosure shall be factual and, wherever possible, contain specific details to enable proper assessment of the nature, extent, and urgency of the concern. A Protected Disclosure includes communications made anonymously.

(h) **"Retaliation"** shall mean any act, direct or indirect, recommended, threatened or taken against a Whistle-Blower or Informant by any person, on account of their having made a Protected Disclosure or having availed the mechanism under this Policy or under the SEBI PIT Regulations.

Retaliation includes, without limitation:

i. termination or constructive dismissal;
ii. demotion, suspension, or disciplinary action not supported by performance reasons;
iii. denial of promotion or other employment benefits;
iv. harassment, discrimination, or intimidation;
v. adverse change in duties or responsibilities; and threats or any form of

adverse personal, professional, or commercial consequence.

(i) **"Subject"** means the person against whom a Protected Disclosure has been made or evidence gathered, and whose conduct is the subject matter of the investigation under this Policy.

(j) **"UPSI Leak Policy"** means the Policy and Procedure for Enquiry in Case of Leak or Suspected Leak of Unpublished Price Sensitive Information of the Company, as amended from time to time.

(k) **"Whistle Blower"** means any employee, director, or any other person who makes a Protected Disclosure under this Policy.

(l) **"Whistle Blowing Concern" or "Protected Disclosure"** has the meaning set out above.

5. REPORTING CHANNELS

5.1. Designated Reporting Channels

A Whistle Blower may report a concern through any of the following channels:

Channel	Contact	When to Use
Compliance Officer	cs@parasdefence.com	Primary channel for all concerns
Chairman of Audit Committee	mannmohan09@gmail.com	Where concern involves the Compliance Officer, or in exceptional cases requiring direct access to the Audit Committee as required under Regulation 22(2) of the SEBI LODR Regulations
SEBI Informant Mechanism	Voluntary Information Disclosure Form (VIDF) filed with the Office of Informant Protection, SEBI (www.sebi.gov.in) or in such form and manner as may be prescribed by SEBI from time to time.	Where concern relates specifically to a violation of the SEBI PIT Regulations
Concerns may be submitted in writing (letter or email).		

5.2. Anonymous Reporting

A Whistle Blower may choose to raise a concern anonymously. Anonymous concerns shall be accepted and investigated to the extent practicable given the information available. The Whistle Blower is encouraged (though not required) to provide sufficient details to enable a meaningful investigation. Identity, where disclosed, shall be kept strictly confidential in accordance with Clause 9.

5.3. Concerns Received by Other Officers

Any concern received directly by any Director, Officer, or Employee of the Company, whether in writing, orally, or through any other means, that falls within the scope of Clause 3.2 shall be promptly forwarded to the Compliance Officer (or the Chairperson of the Audit Committee, where the concern involves the Compliance Officer) without any editing, screening, or filtering.

5.4. Concerns Outside the Scope of this Policy

Where an initial review indicates that a concern does not fall within the scope of this Policy, the sender (if identifiable) shall be informed accordingly, and the concern shall be forwarded to the appropriate department or grievance mechanism within the Company. Such forwarding shall be recorded by the Compliance Officer.

6. PROCESS FOR HANDLING CONCERNS

6.1. Acknowledgement

The Compliance Officer shall acknowledge receipt of every concern within 5 (five) working days of receipt. The acknowledgment shall confirm receipt of the Protected Disclosure and inform the Whistle Blower that it will be reviewed and addressed. Where the concern is anonymous, acknowledgment shall be sent to the address or channel provided.

6.2. Initial Review

Within 15 (fifteen) working days of acknowledgment, the Compliance Officer shall conduct an initial review to determine:

a) whether the concern falls within the scope of this Policy;

b) whether the concern, on its face, has sufficient basis to warrant a formal investigation; and

c) the appropriate investigation pathway, internal investigation by the Compliance Officer, referral to the Enquiry Committee under the UPSI Leak Policy (where the concern relates to UPSI or an insider trading violation), referral to the Audit Committee, or engagement of an external investigator.

The outcome of the initial review shall be reported to the Audit Committee at its next meeting.

6.3. Investigation

a) Where a formal investigation is warranted, the Investigating Authority shall conduct it within 90 (ninety) working days of the date of receipt of the concern. In case additional time is taken for inquiry, the same shall be intimated to the Audit Committee at the time of reporting the status of inquiry. The Compliance Officer shall seek approval from the Chairman of Audit Committee stating the reason for the delay and the Chairman of Audit Committee shall be kept updated thereupon.

b) The investigation shall be conducted confidentially, on a need-to-know basis, and in a manner consistent with the principles of natural justice.

c) Where the concern relates to a leak or suspected leak of UPSI, the Compliance Officer shall initiate the procedure under the UPSI Leak Policy in parallel, and the two procedures shall be coordinated to avoid duplication or inconsistency. The UPSI Leak Policy's Enquiry Committee shall serve as the Investigating Authority for such concerns.

d) Where the complexity of the matter, or any conflict of interest within the Company, so warrants, the Audit Committee may direct that the investigation be conducted by an external, independent investigator or firm, subject to appropriate confidentiality arrangements.

e) The Compliance Officer shall have the authority to take interim protective steps during an investigation (such as temporarily reassigning the Subject's responsibilities) where necessary to preserve the integrity of the investigation or protect the Whistle Blower.

6.4. Natural Justice - Rights of the Subject

a) The identity of the Whistle Blower shall not be disclosed to the Subject during the course of the investigation, except where disclosure is unavoidable for the conduct of the investigation and the Whistle Blower has given prior written consent, or where required by law.

b) The Subject shall not be informed of the existence of an investigation until the Investigating Authority determines it is appropriate and necessary to do so.

c) Once a prima facie case is established, the Subject shall be given a reasonable opportunity to be heard, to review the allegations against them (in summary form), and to present their response and any supporting evidence before any recommendation is made to the Board or Audit Committee.

d) The Subject shall be presumed innocent until the investigation concludes.

6.5. Reporting and Closure

a) On completion of the investigation, the Investigating Authority shall submit a written report to the Audit Committee, covering- a summary of the concern, the process followed, findings, and recommendations for action (including disciplinary action, process improvement, regulatory reporting, or no action, as applicable).

b) The Compliance Officer shall communicate the outcome to the Whistle Blower (where identifiable), to the extent permissible by law and confidentiality obligations.

c) A concern shall be marked as closed upon- conclusion of the investigation and implementation of recommended actions, initiation of legal or regulatory proceedings, or a documented finding of no basis for the concern.

d) The status of all open and recently closed concerns shall be reported to the Audit Committee quarterly.

7. SEBI INFORMANT MECHANISM

7.1. Right to File a VIDF Directly with SEBI

In addition to the internal reporting channels under Clause 5, any Employee, Director, or other person may, where their concern relates to an alleged violation of the SEBI PIT Regulations, report such violation directly to the Securities and Exchange Board of India by filing a Voluntary Information Disclosure Form (VIDF) with the Office of Informant Protection (OIP) of SEBI, in accordance with Chapter IIIA of the SEBI PIT Regulations.

Filing a VIDF with SEBI is independent of and does not require prior use of the Company's internal mechanism under this Policy. A person may file a VIDF with SEBI simultaneously with, before, or after raising a concern internally under this Policy or such other mechanism as SEBI may prescribe from time to time.

7.2. Protection of Persons Filing a VIDF

No Employee, Director, or other person who:

a) files a VIDF with SEBI or provides information to the OIP under Chapter IIIA of the SEBI PIT Regulations; or
b) assists, cooperates with, or provides evidence to SEBI, the OIP, or the Company in connection with any investigation under Chapter IIIA;

shall, for that reason, be subject to any discharge, termination, demotion, suspension, threat, harassment, or any direct or indirect discrimination.

This protection applies **regardless of whether:**

i. the VIDF or information is accepted, acted upon, or rejected by SEBI or the OIP;
ii. the person is ultimately found eligible for a Reward under Chapter IIIA; or
iii. the filing of the VIDF would otherwise constitute a breach of the Company's confidentiality policy or any other internal policy or contractual obligation.

7.3. Oversight

The Audit Committee shall:

a) be promptly informed of any retaliation or threatened retaliation against a person who has filed or assisted in filing a VIDF with SEBI;
b) ensure that no disciplinary, employment, or commercial action taken by the Company against any person during the pendency of a Chapter IIIA proceeding is retaliatory in nature; and

7.4. This clause shall be read in conjunction with the Company’s Code for Prohibition of Insider Trading and Fair Disclosure of UPSI and UPSI Leak Enquiry Policy.

8. PROTECTION OF WHISTLE BLOWER

8.1 Baseline Protection

Any person who makes a Protected Disclosure in good faith under this Policy shall be protected against Retaliation and any adverse employment, commercial, or personal consequence by reason of having made such disclosure. This protection:

a) applies to all Whistle Blowers covered under Clause 3.1, including those who choose to remain anonymous;
b) applies during and after the investigation, regardless of the outcome;
c) is not conditional on the concern being ultimately substantiated, provided the disclosure was made in good faith; and
d) continues even after a person's employment or association with the Company

ends, in respect of any disclosure made during such employment or association.

8.2 Good Faith

A disclosure shall be presumed to have been made in good faith if the Whistle Blower reasonably believed, at the time of making it, that the information was true and that it was appropriate to report it. Good faith does not require the Whistle Blower to be correct in their assessment.

8.3 Loss of Protection

Protection under this Policy shall not be available to a person who:

a) makes a disclosure that they know to be materially false or fabricated, or makes a disclosure with the primary intent to cause harm to another person; or
b) misuses this Policy for personal or financial gain, harassment of another person, or for a collateral purpose unconnected with the concern raised.

A finding that protection is not available shall be made by the Audit Committee after giving the person an opportunity to be heard.

8.4 Reporting Retaliation

Any person who believes they have experienced Retaliation for making a Protected Disclosure may report such Retaliation directly to the Chairperson of the Audit Committee at any time. There is no fixed time limit for reporting Retaliation. The Compliance Officer shall investigate the retaliation complaint with the same diligence as a substantive concern, and shall report the outcome to the Audit Committee.

9. CONFIDENTIALITY

9.1 Identity of the Whistle Blower

The identity of a Whistle Blower (where disclosed) shall be kept strictly confidential. It shall not be revealed to the Subject, to other employees, or to any third party, except: (a) where the Whistle Blower has given prior written consent; or (b) where disclosure is required by law, court order, or regulatory direction. Where disclosure to a regulatory authority is required, the Whistle Blower shall be informed in advance to the extent permissible.

9.2 Confidentiality of Investigation

All persons involved in the investigation of a concern including the Compliance Officer, Investigating Authority, and any external advisors shall maintain strict confidentiality regarding the existence, nature, and progress of the investigation. Information shall be shared only on a need-to-know basis within the Company.

9.3 Impact on Appraisal and Employment

Making a Protected Disclosure under this Policy shall have no bearing on the Whistle Blower's performance appraisal, assignment of duties, promotion, or any other aspect of their employment or engagement with the Company.

9.4 Record Retention

All records pertaining to a Protected Disclosure including the original communication, acknowledgment, investigation notes, findings, and actions taken shall be maintained by the Compliance Officer in a confidential, secure manner for a minimum period of 8 (eight) years from the date of closure of the concern, consistent with the record-retention requirements applicable to the Structured Digital Database under the PIT Code. In the event of any ongoing investigation, litigation, or regulatory proceeding, records shall be preserved until the conclusion of such proceedings.

10. DISCIPLINARY ACTION

10.1 Action Against the Subject

Where an investigation concludes that a concern is substantiated and that a person is responsible for the relevant wrongdoing, the Board or the Audit Committee (as applicable) shall take appropriate remedial and disciplinary action, which may include one or more of the following- written warning; suspension; termination of employment or engagement; recovery of financial losses, clawback of compensation; ineligibility for future participation in employee stock option plans, referral to relevant law enforcement or regulatory authorities, and/or civil or criminal proceedings. Any action taken by the Company shall not preclude SEBI or any other regulatory or enforcement authority from taking independent action under applicable law.

10.2 Action for Misuse of the Policy

Where it is established that a person has wilfully made a false or malicious complaint under this Policy or has misused it for personal gain or to harass another person, such person shall themselves be subject to appropriate disciplinary action under Clause 10.1 above. This provision shall not deter good-faith disclosures made under a reasonable belief.

10.3 Action for Retaliation

Any employee, Director, or officer who retaliates or threatens retaliation against a Whistle Blower or Informant or who directs, encourages, or acquiesces in such retaliation shall be subject to strict disciplinary action under Clause 10.1 above, up to and including termination of employment. The Company treats Retaliation as a serious breach of this Policy and of its obligations under the Companies Act, the SEBI LODR Regulations, and the SEBI PIT Regulations.

11. AUDIT COMMITTEE OVERSIGHT

The Audit Committee shall be responsible for the overall oversight and effectiveness of this Policy, in accordance with Schedule II, Part E of the SEBI LODR Regulations. Specifically, the Audit Committee shall:

a) review the functioning of the vigil mechanism at least once every financial year and satisfy itself that it operates effectively;
b) receive a report from the Compliance Officer on all concerns received, their current status, and actions taken or pending;
c) receive immediate notification of any concern that involves a member of the Board or Senior management, relates to a potential UPSI leak or insider trading violation, or requires regulatory reporting to SEBI;
d) review and approve any changes to this Policy;
e) ensure adequate disclosure of the vigil mechanism on the Company's website and in its Board's Report as required under Section 134 of the Companies Act and Regulation 46(2)(e) of the SEBI LODR Regulations; and

f) oversee the Company's obligations under the SEBI PIT Regulations, including in respect of Informants and the protection of persons who file VIDFs with SEBI.

The Chairperson of the Audit Committee shall be directly accessible to any person who raises a concern under this Policy in appropriate or exceptional circumstances, as required under Regulation 22(2) of the SEBI LODR Regulations.

12. INTERACTION WITH OTHER POLICIES

This Policy operates alongside and is complementary to the following Company policies, with which it should be read together:

a) **PIT Code**: concerns relating to a violation of the SEBI PIT Regulations, including UPSI leaks and trading by insiders, shall be reported under this Policy and simultaneously triaged under the UPSI Leak Policy and the PIT Code. The Informant Mechanism under Clause 7 of this Policy directly corresponds to the PIT Code;

b) **UPSI Leak Enquiry Policy**: upon receipt of any concern relating to a leak or suspected leak of UPSI under this Policy, the Compliance Officer shall initiate the inquiry procedure under the UPSI Leak Enquiry Policy. The two procedures shall run in co-ordination; any conflict between the two shall be resolved by the Audit Committee;

c) **Code of Conduct** — this Policy supplements the Company's Code of Conduct and is not a substitute for it. Violations of the Code of Conduct may be reported through this Policy where they fall within the scope of this Policy; and

d) **HR Policies** — personal grievances not involving wrongdoing as described in Clause 3.2 should be addressed through the Company's standard grievance redressal mechanism.

13. DISSEMINATION

This Policy shall be hosted on the Company's website (www.parasdefence.com) and reference thereof shall also be given in the Company's Annual Report

14. 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 applicable law or regulations that is inconsistent with the provisions of this Policy, the applicable law or regulation shall prevail, and the Compliance Officer shall promptly initiate a review of this Policy to bring it into conformity.

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