Risk Management Policy

Approved by the Board of Directors

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1. Background

Aeroflex Finance Private Limited (the "Company") is a Non-Banking Financial Company - Investment and Credit Company (NBFC-ICC) registered with the Reserve Bank of India ("RBI") and classified as a Base Layer NBFC (NBFC-BL) under the Scale Based Regulation ("SBR") Framework of the RBI.

The Company is engaged in the business of providing credit facilities and undertaking such financial activities as permitted under the applicable regulatory framework. The Company seeks to promote financial inclusion and responsible lending through its financial products and services while maintaining a prudent approach to risk management, governance, operational resilience and regulatory compliance.

This Policy has been framed in accordance with the provisions of the Reserve Bank of India (Non-Banking Financial Companies - Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 (updated as on July 01, 2026) and other applicable RBI Master Directions, circulars, notifications, guidelines and instructions issued from time to time, including but not limited to the directions relating to Governance, Credit Risk Management, Concentration Risk Management, Asset Liability Management, Managing Risks in Outsourcing, Prudential Norms, Know Your Customer (KYC), Responsible Business Conduct and other regulatory requirements applicable to Base Layer NBFCs (collectively referred to as the "RBI Regulations").

2. Objectives

The objectives of this Policy are as follows:

- To establish a comprehensive risk management framework for identifying, assessing, monitoring, managing and reporting risks that may affect the Company's business, financial position, operations, reputation and regulatory compliance.
- To identify potential risks arising from internal and external factors, including credit, liquidity, operational, strategic, compliance, legal, technology, cyber security and other material risks that may impact the Company.
- To ensure proactive and effective risk mitigation measures are implemented to manage identified risks and minimize the likelihood of financial loss, operational disruptions or adverse business impact.
- To create a structured and consistent approach for risk assessment, monitoring, escalation and reporting, enabling timely management action and informed decision-making.
- To ensure compliance with the applicable provisions of the Reserve Bank of India ("RBI") regulations, including the Scale Based Regulation ("SBR") framework and other applicable regulatory requirements issued from time to time.
- To establish a sound risk governance framework with clearly defined roles and responsibilities of the Board of Directors, Senior Management and business functions in managing risks across the organization.
- To safeguard the interests of customers, investors, lenders, regulators and other stakeholders through prudent risk management practices and maintenance of a strong control environment.
- To integrate risk considerations into strategic planning, business decisions, new product initiatives and operational activities, enabling sustainable growth while maintaining the Company's risk appetite.

- To promote a culture of risk awareness, accountability and responsible conduct across the organization through appropriate policies, procedures, training and communication mechanisms.
- To strengthen operational resilience and business continuity by ensuring adequate preparedness for contingencies, disruptions, technology failures, cyber threats and other unforeseen events.
- To facilitate periodic review of the Company's risk profile and the effectiveness of the risk management framework so that it remains aligned with the Company's business strategy and regulatory expectations.

3. Scope

The scope of this Risk Management Policy extends to all business activities, functions, processes, products, services, systems and operations of Aeroflex Finance Private Limited (the "Company"). The Policy applies to the Board of Directors, Senior Management, employees, outsourced service providers and other stakeholders involved in the conduct of the Company's business activities.

The Policy covers all material risks that may have an impact on the Company's business objectives, financial position, operational efficiency, reputation and regulatory compliance. These include, but are not limited to, credit risk, concentration risk, liquidity risk, asset liability management (ALM) risk, interest rate risk, operational risk, technology risk, cyber security risk, information security risk, outsourcing risk, legal risk, compliance risk, strategic risk, reputational risk and other emerging risks relevant to the Company's operations.

This Policy establishes a structured framework for the identification, assessment, measurement, monitoring, mitigation, control, reporting and escalation of risks across the organization. It seeks to ensure that risks are managed in a consistent and prudent manner through the implementation of appropriate policies, procedures, internal controls and governance mechanisms.

The Policy further defines the roles and responsibilities of the Board of Directors, Senior Management and business functions in ensuring effective risk management and fostering a strong risk-aware culture throughout the organization.

The scope of this Policy also includes compliance with the applicable provisions of the Reserve Bank of India (Non-Banking Financial Companies - Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 (updated as on July 01, 2026), and other applicable RBI Master Directions, circulars, notifications and guidelines issued from time to time.

4. Governance Structure

Board of Directors

a. The Board of Directors shall have the ultimate responsibility for overseeing the Company's risk management framework and shall ensure that an effective risk management system is established, implemented and periodically reviewed across all business activities.

b. The Board shall define, approve and periodically review the Company's overall risk management strategy, risk governance framework and risk management policies to ensure alignment with the Company's business objectives, growth plans and regulatory requirements.

c. The Board shall approve the Company's Risk Appetite Framework and Risk Appetite Statement and ensure that the Company's risk profile remains within the approved risk tolerance levels.

d. The Board shall review periodic risk reports and key risk indicators and provide strategic direction for the effective management, monitoring and mitigation of material risks affecting the Company.

e. The Board shall ensure that appropriate systems, processes and internal controls are established for identifying, measuring, monitoring, managing and reporting risks across the organization.

f. The Board shall ensure that the Company maintains adequate capital, liquidity and financial resources commensurate with its business profile, risk exposure and regulatory requirements.

g. The Board shall oversee compliance with applicable RBI regulations, statutory requirements and internal policies and ensure that appropriate corrective actions are taken in respect of identified control weaknesses or regulatory concerns.

h. The Board shall ensure that emerging risks, including technology risk, cyber security risk, information security risk, outsourcing risk, operational risk and other material risks, are appropriately monitored and managed.

i. The Board shall promote a strong risk culture across the organization by fostering risk awareness, accountability and ethical conduct and by supporting appropriate training and capacity-building initiatives.

j. The Board shall ensure periodic review of the effectiveness of the Risk Management Policy and risk governance framework and direct necessary modifications in response to changes in the Company's business environment, risk profile or regulatory expectations.

Risk Management Committee

a. The Risk Management Committee (RMC) periodically reviews the Risk Management Policy and proposes changes to the Board of Directors, as required, to ensure it remains relevant to the Company's business environment, risk profile, regulatory requirements and industry developments.

b. The RMC evaluates the effectiveness of the risk management framework and systems, ensuring the implementation of appropriate methodologies, processes, controls and tools.

c. It identifies, monitors and assesses the various risks faced by the Company, including credit risk, liquidity risk, operational risk, compliance risk, technology risk, information security risk, cyber security risk and other material risks, ensuring appropriate mitigation measures are taken in a timely manner.

d. The Committee regularly reviews risk reports, key risk indicators, risk assessments and key findings, ensuring that identified risks are being addressed and managed effectively.

e. It keeps the Board informed about discussions, observations, recommendations and actions required to manage risks appropriately and within the approved Risk Appetite Framework.

f. The RMC shall periodically review and monitor the Risk Appetite Indicators of the Company and recommend corrective actions wherever risk exposures exceed approved thresholds.

g. The RMC shall review significant risk events, operational incidents, regulatory observations and emerging risks and monitor the adequacy of mitigation measures implemented by the Management.

The Risk Management Committee may delegate the functions / part of functions to sub-committees / such other departments / persons, as it may deem fit, while retaining overall oversight and accountability for such delegated functions.

5. Risk Appetite

The Company shall integrate a well-defined Risk Appetite Framework into its operations to guide decision-making and achieve its business objectives. This means determining the level and type of risk the Company is willing to accept in areas such as lending, liquidity management, investments and other business activities. The Risk Appetite Framework shall be reviewed and approved by the Board of Directors and monitored periodically by the Risk Management Committee, and shall be updated from time to time based on changes in the Company's business environment, risk profile and regulatory requirements.

By embedding risk appetite into its day-to-day functions, the Company ensures that all activities are aligned with its strategic objectives, risk management framework and applicable regulatory requirements. This approach helps balance growth with financial stability, ensures that risk exposures remain within approved limits and tolerance levels, and protects the interests of customers, investors, lenders and other stakeholders.

6. Key Risk Appetite Indicators

In order to measure and monitor risks in a quantitative manner, the Company shall establish Key Risk Appetite Indicators (KRAIs) under the oversight of the Risk Management Committee ("RMC"). The KRAIs shall be derived by reviewing the various policies and frameworks approved by the Board of Directors and identifying the key parameters that are critical for achieving the risk management objectives and ensuring adherence to the Company's approved Risk Appetite Framework.

The adherence to these KRAIs shall be monitored on a quarterly basis by the RMC. Any breach of the approved KRAI thresholds shall be appropriately escalated to the Board of Directors, and necessary corrective and mitigating measures shall be taken to address such breaches in a timely manner.

As a prudent risk management practice, an Early Warning Signal ("EWS") shall be triggered and reported to the RMC and the Board whenever the actual value of a KRAI reaches or exceeds 90% of the approved threshold limit, thereby enabling proactive intervention before the threshold is breached.

A detailed matrix of KRAIs, applicable thresholds, tolerance limits and corresponding EWS levels shall be maintained and periodically reviewed by the RMC and the Board, and shall be updated from time to time based on changes in the Company's business activities, risk profile, regulatory requirements and risk appetite.

7. Risk Management Procedures:

7.1 Risk Identification

Risk identification is the process of recognizing and understanding potential risks that may affect Aeroflex Finance Private Limited's operations, financial health, reputation, regulatory compliance, and strategic

objectives. By proactively identifying risks, the Company can take timely measures to mitigate their impact and ensure stable and sustainable growth. Effective risk identification involves continuously monitoring internal processes, business activities, market trends, regulatory developments, and external factors that may pose threats. The Company shall embed risk identification practices into its daily operations to maintain resilience, sound governance, and compliance with applicable RBI regulatory requirements.

The following functions shall be implemented to ensure comprehensive risk identification:

a. The Company will conduct periodic risk assessments across all departments and business functions to identify potential risks relating to credit, liquidity, operational, compliance, conduct, information technology, outsourcing, strategic, reputation, and market-related activities.

b. By analysing financial data, portfolio performance, customer trends, regulatory developments, and market conditions, the Company will proactively identify emerging risks, early warning signals, and potential vulnerabilities.

c. Regular internal audits, compliance reviews, management reviews, and independent assessments shall help uncover operational gaps, control deficiencies, compliance issues, or inefficiencies that may pose risks to the Company.

d. The Company will establish appropriate channels for employees and other stakeholders to report observed risks, control weaknesses, incidents, or irregularities, thereby promoting a strong risk-aware culture across the organisation.

e. The Company will use scenario analysis, stress testing, sensitivity analysis, and business impact assessments, wherever applicable, to identify risks that could arise under adverse market conditions, liquidity stress events, regulatory changes, cybersecurity incidents, or operational disruptions.

f. The Company shall document identified risks in a Risk Register, detailing the nature of each risk, risk category, source of the risk, potential impact, likelihood of occurrence, frequency of the risk, existing controls, risk owner, and mitigation measures to facilitate ongoing monitoring and reporting.

7.2 Risk Definition and Basic Mitigation Measures

• Credit Risk

Credit risk arises from the possibility that a borrower may default or fail to repay the loan as per the agreed terms. Such defaults can directly impact the Company's income, profitability, capital position, and overall financial stability. As Aeroflex Finance Private Limited is engaged in providing personal loans & MSME Loans any delay or non-repayment by borrowers can lead to potential credit losses and diminution in the value of underlying collateral.

The Company shall maintain robust credit appraisal, underwriting, and approval processes to assess the repayment capacity and creditworthiness of borrowers before sanctioning loans. The Company shall define the credit assessment parameters, eligibility criteria, collateral requirements, loan-to-value (LTV) limits, customer due diligence requirements, and monitoring standards in the Credit Policy**,** and shall implement such processes through appropriate technology systems to the greatest extent possible. Continuous

monitoring of loan accounts, collateral values, portfolio concentration levels, and borrower behaviour shall be undertaken to identify early warning signals of stress, deterioration, or default. The Company shall establish mechanisms for periodic review and re-assessment of credit exposures and collateral adequacy.

In case of non-payment or deterioration in asset quality, prompt recovery, collection, margin call, collateral liquidation, and enforcement actions shall be initiated in accordance with approved policies and defined procedures. Adequate impairment provisions and expected credit loss provisions, as applicable, shall be maintained in accordance with applicable regulatory requirements, accounting standards, and internal risk management policies. The Company shall also monitor concentration risks across borrowers, groups of connected borrowers, industries, products, and collateral types to ensure that credit risk remains within the Board-approved risk appetite and regulatory limits.

- **Market Risk**

Market risk refers to the potential for losses arising from adverse movements in market variables such as equity prices, interest rates, liquidity conditions, and broader economic factors. Additionally, investments made by the Company in approved financial instruments and securities may also be exposed to fluctuations in market prices, interest rates, and market liquidity. The Company shall therefore maintain an appropriate framework for identifying, measuring, monitoring, and controlling market risk exposures.

The Company shall monitor market trends, benchmark indices, interest rate movements, liquidity conditions, and price volatility on a continuous basis. It shall apply prudent Loan-to-Value (LTV) ratios, establish Board-approved collateral management standards, define margin call triggers, and maintain a process for timely liquidation of collateral where necessary in the event of significant market downturns or collateral value deterioration. The Company shall undertake periodic valuation and monitoring of pledged securities to ensure the adequacy of collateral coverage at all times.

Investment decisions shall be made after evaluating prevailing market conditions, risk-return considerations, liquidity requirements, and concentration limits, and shall be in compliance with the approved Investment Policy and other internal risk management policies. The Company shall periodically conduct stress testing and scenario analysis, wherever applicable, to assess the impact of adverse market movements on its portfolio and shall take appropriate corrective actions to ensure that market risk exposures remain within the Board-approved risk appetite and applicable regulatory requirements.

- **Valuation Risk**

Regular system checks and periodic validation of valuation models shall be carried out by the Risk and Operations teams to ensure the accuracy, completeness, and reliability of valuation data. Any deviation or discrepancy beyond a defined threshold shall be escalated immediately in accordance with the approved escalation matrix and risk management framework. The Company shall also periodically review collateral values and undertake appropriate corrective actions, including obtaining additional collateral, wherever required to ensure adequate collateral coverage at all times.

- **Liquidity Risk**

Liquidity risk refers to the Company's inability to meet its financial obligations as they fall due, without incurring unacceptable losses. The Company's liquidity is primarily supported through borrowings, and

therefore any disruption in access to funding, adverse market conditions, refinancing constraints, market stress, changes in borrowing costs, or delayed recoveries from borrowers can temporarily affect liquidity positions. Effective liquidity management is essential to ensure the Company's ongoing operations, financial stability, and regulatory compliance.

The Company has put in place a Liquidity Risk Management Policy) Framework to deal with the risk, which includes measures such as maintaining an adequate liquidity buffer, regularly monitoring cash flow positions, and maintaining maturity- statements. It shall ensure that sufficient high-quality liquid assets are available to meet short-term obligations and maintain contingency funding plans to address unexpected liquidity gaps. The Company shall also periodically assess funding concentration, borrowing profile, and liquidity stress scenarios to identify potential vulnerabilities and take timely corrective action. Finance Team will ensure availability of liquidity and maintenance Mismatches within the thresholds prescribed under the approved Policy/Framework. Risk Management Team will maintain independent oversight over liquidity positions through daily and periodic monitoring reports, escalation mechanisms, and management reviews.

- **Concentration Risk**

Concentration risk arises when the Company's exposure is heavily skewed toward a particular borrower, borrower group, sector, industry, type of security, or collateral category. concentration may increase the Company's vulnerability to adverse events affecting a single counterparty, sector, or security and may adversely impact the overall risk profile of the Company.

The Company shall diversify its loan portfolio across multiple borrowers, groups, sectors, and types of securities. Internal exposure limits shall be defined as part of the Risk Appetite Framework as a percentage of the Company's total assets or AUM for single borrowers, borrower groups, sectors, and exposure to a single scrip or scripts belonging to a group. The Company shall also monitor concentration arising from collateral types, funding sources, and geographic exposures, wherever applicable. The Risk Management function shall periodically review concentration levels, monitor compliance with approved exposure limits, and report any breaches, exceptions, or elevated concentration levels to the RMC and the Board for appropriate action. Periodic stress testing and portfolio analysis shall also be undertaken to assess the impact of concentration risks and to ensure that such exposures remain within the Board-approved risk appetite.

- **IT Risk**

IT risk arises from inadequate or failure of systems, processes, or cyber threats that may disrupt business operations. For the Company, this includes errors in data processing, documentation lapses, valuation inaccuracies, system integration failures, or delays in margin calls related to pledged securities. As the Company is engaged in digital lending, it is also exposed to technology-related risks such as system downtime, data breaches, unauthorized access, cyberattacks, ransomware incidents, third-party service disruptions, and data integrity issues that may compromise the confidentiality, integrity, or availability of critical information and services.

The Company shall establish strong internal controls and process checklists supported by robust IT infrastructure and cybersecurity measures. It shall implement adequate access controls, user access management, data encryption, data backup mechanisms, vulnerability assessments, and regular system

audits to safeguard sensitive information. Employee training on information security, cyber hygiene, and operational protocols shall be conducted periodically. The Company shall maintain a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) to ensure minimal disruption in the event of process or system failures. Periodic testing of BCP and DRP shall be undertaken to evaluate preparedness and effectiveness. The Company shall also maintain appropriate monitoring and incident response mechanisms for timely identification, reporting, escalation, and resolution of information security incidents. All IT systems, digital lending arrangements, and outsourced technology services shall comply with applicable RBI guidelines relating to IT governance, cybersecurity, digital lending, and outsourcing of financial and IT services.

- **Compliance and Regulatory Risk**

Compliance and regulatory risk arises from failure to adhere to applicable laws, regulations, circulars, master directions, and regulatory guidelines issued by the Reserve Bank of India (RBI), SEBI, FIU-IND, and other applicable authorities governing NBFCs. Given that Aeroflex Finance Private Limited operates as a Base Layer NBFC-ICC, non-compliance with prudential norms, Scale Based Regulation (SBR) requirements, Fair Practices Code, KYC/AML obligations, customer protection requirements, digital lending guidelines, data privacy requirements, or other regulatory directions could lead to penalties, supervisory actions, business restrictions, financial loss, and reputational harm.

The Company shall maintain an updated compliance framework and ensure that all regulatory filings, disclosures, returns, and reporting requirements are submitted accurately and within the prescribed timelines. A Compliance Officer shall oversee regulatory adherence, monitor applicable regulatory developments, and coordinate implementation of compliance requirements across the Company. Internal audits and compliance reviews shall periodically review and report deviations, deficiencies, and non-compliance instances to the management and the Board, wherever required. Any changes in RBI, SEBI, FIU-IND, or other applicable regulatory requirements shall be promptly identified and incorporated into the Company's policies, procedures, systems, and operational processes. The Company shall maintain a compliance monitoring mechanism, regulatory compliance calendar, and appropriate escalation procedures to ensure timely identification, reporting, and remediation of compliance gaps. Regular training and awareness programmes shall also be conducted to ensure that employees remain informed of applicable regulatory and compliance obligations.

- **Reputational Risk**

Reputational risk is the potential loss resulting from negative public perception, adverse media coverage, regulatory action, stakeholder concerns, or client dissatisfaction.s, inadequate customer communication, lapses in customer service or grievance redressal, regulatory non-compliance, data breaches, or operational failures. Such events may adversely impact customer confidence, business growth, stakeholder trust, and the overall reputation of the Company.

The Company shall uphold transparency, fairness, and ethical practices in all client dealings. A defined Fair Practices Code and Grievance Redressal Mechanism shall be implemented to address customer concerns promptly and effectively. Communication with customers, regulators, investors, lenders, and other stakeholders shall be accurate, timely, and consistent, and all marketing materials, public disclosures, and customer communications shall be reviewed for accuracy, fairness, and regulatory compliance. The Company shall maintain appropriate mechanisms for monitoring customer complaints, feedback, regulatory observations, and other indicators that may affect its reputation. Any significant reputational

events shall be promptly escalated to senior management and, where necessary, to the Board for appropriate corrective action. Periodic reviews of customer service standards, grievance handling processes, and compliance with the Fair Practices Code shall be undertaken to strengthen stakeholder confidence and protect the Company's reputation.

- **Operational Risk Management and Operational Resilience**

Operational Risk: Risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. Such risk is inherent in all financial products, services, and business activities of the Company. Operational risk may arise from process failures, human errors, fraud, technology disruptions, outsourcing arrangements, data quality issues, cybersecurity incidents, legal events, or other external disruptions that may adversely affect the Company's operations, financial position, customer service, or regulatory compliance.

Operational Resilience: The ability of the Company to deliver its critical business services and operations despite disruptions. It involves identifying threats and vulnerabilities, mitigating risks, responding effectively to disruptions, recovering critical operations within acceptable timelines, and continuously learning from events to strengthen resilience and business continuity capabilities.

Operational Risk Management and Operational Resilience have been built on three pillars, which are as follows:

a. Prepare and Protect

b. Build Resilience

c. Learn and Adapt

The Company has adopted a separate policy framework for Operational Risk Management and Operational Resilience based on the above criteria and as prescribed under applicable RBI regulations and regulatory guidelines. The framework aims to ensure effective identification, assessment, monitoring, mitigation, reporting, and management of operational risks across all business functions. It also establishes measures for business continuity, disaster recovery, incident management, outsourcing oversight, information security, and operational resilience of critical business services. The Risk Management Function shall maintain oversight over operational risk exposures and resilience measures through periodic monitoring, reporting, testing, and review mechanisms, while significant operational incidents and resilience concerns shall be escalated to the RMC and the Board, as appropriate.

7.3 Risk Categorization

For effective management and monitoring, all identified risks shall be categorized based on their potential impact (effect) on the Company's business objectives and the likelihood (frequency) of their occurrence. This categorization assists in prioritizing risks and determining the level of control, mitigation, escalation, and oversight required. The Company shall adopt a risk-based approach to ensure that resources are focused on areas presenting the highest level of risk exposure. The categorization shall be reviewed periodically to reflect changes in business activities, market conditions, regulatory requirements, and the overall risk profile of the Company.

The Company shall adopt a three-tier risk rating structure as under:

- **High Risk**

These are risks that may have a major or critical impact on the Company's financial soundness, capital adequacy, liquidity position, regulatory compliance, operational stability, or reputation. Such risks have a high likelihood of occurrence and could significantly affect business continuity, compliance status, customer confidence, or profitability if not managed effectively. Immediate attention and mitigation plans are required, with enhanced monitoring by the concerned business and control functions, close oversight by senior management, and periodic reporting to the Risk Management Committee (RMC) and the Board. Appropriate escalation mechanisms shall be established to ensure timely identification, reporting, and resolution of high-risk exposures. These risks shall be subject to periodic review and may require additional controls, contingency measures, or corrective actions to ensure that the Company's overall risk exposure remains within the Board-approved risk appetite and applicable regulatory requirements.

- **Medium Risk**

These risks may have a moderate impact on business performance, financial position, operational effectiveness, regulatory compliance, or strategic objectives and may occur occasionally. While they may not threaten the Company's overall viability, they can adversely affect operations, earnings, customer service, or compliance if left unaddressed. Continuous monitoring and implementation of preventive, detective, or corrective measures shall be undertaken by the concerned functional heads with oversight from the Risk Management Function. Escalation to senior management shall be made as necessary based on the nature, severity, and persistence of the risk. Such risks shall be reviewed periodically to ensure that the effectiveness of mitigation measures is assessed and that the risk exposure remains within the Board-approved risk appetite and applicable regulatory requirements. Significant changes in the risk profile or material control deficiencies shall be reported to the Risk Management Committee (RMC) and management, as appropriate.

- **Low Risk**

These risks are expected to have minimal or negligible impact on the Company's financial position, operations, regulatory compliance, or reputation and are less likely to occur. They can generally be managed through routine internal controls, established processes, and standard operating procedures. Regular monitoring and inclusion in periodic risk review reports shall be undertaken to ensure that such risks remain within acceptable tolerance limits and do not escalate due to changes in business activities or external conditions. The concerned functional heads shall be responsible for managing such risks through day-to-day control mechanisms, while the Risk Management Function shall periodically review the effectiveness of such controls.

The categorization shall be periodically reviewed to ensure it reflects changes in the Company's business model, risk profile, regulatory requirements, market conditions, and external environment. Any material changes in risk ratings, emerging risks, or changes in the Company's risk profile shall be appropriately documented and reported through the risk governance framework.

7.4 Risk Assessment and Measurement

Risk assessment is the process of evaluating potential risks that could impact the Company's financial stability, operational resilience, regulatory compliance, reputation, and strategic objectives. By assessing risks, the Company shall understand their likelihood and potential impact, enabling it to take informed actions to mitigate or manage these risks effectively. The Company shall integrate the following risk assessment and measurement practices into its operations to ensure continuous monitoring, measurement, and control of risks. The following steps shall be embedded by the Company in its operations for risk assessment and measurement:

a. Use financial data, portfolio performance indicators, management information systems, statistical models, and expert judgment to measure risks related to credit, liquidity, market conditions, operations, compliance, information technology, and other material risks relevant to the Company's business activities.

b. Implement risk scoring frameworks and assessment methodologies to categorize risks based on their likelihood and potential impact on the Company's operations, financial position, regulatory compliance, reputation, and strategic objectives.

c. Conduct stress tests and scenario analyses, wherever applicable, to evaluate the Company's resilience to adverse economic conditions, market volatility, liquidity stress events, operational disruptions, cybersecurity incidents, and other unexpected events.

d. Develop, monitor, and track Key Risk Indicators (KRIs) to assess risk levels, identify emerging risks, monitor threshold breaches, and facilitate timely corrective and preventive actions.

e. Schedule periodic reviews of identified risks, risk assessments, KRIs, and mitigation measures to ensure the Company remains responsive to evolving business conditions, market developments, regulatory changes, and emerging risk trends.

f. Maintain appropriate documentation of risk assessments, assumptions, methodologies, stress testing results, risk ratings, and mitigation actions through the Risk Register and other risk management records to support effective monitoring, reporting, and decision-making.

g. Significant risk exposures, material changes in risk ratings, and breaches of approved risk thresholds shall be escalated to senior management, the Risk Management Committee (RMC), and the Board, as appropriate, in accordance with the Company's risk governance framework.

7.5 Specific Risk Mitigation Strategies

Risk mitigation strategies are the actions and measures taken to reduce the likelihood or impact of potential risks on the Company. These strategies focus on minimizing exposure to identified risks through control measures, contingency planning, continuous monitoring, and timely corrective actions. The Company shall implement a combination of preventive, corrective, and proactive approaches to manage risks effectively. By developing clear protocols, maintaining adequate liquidity buffers, strengthening internal controls, and ensuring compliance with applicable regulatory requirements, the Company shall ensure that it can respond promptly to challenges and safeguard its financial stability, operational resilience, regulatory compliance, and reputation.

The following measures shall be adopted by the Company for effective risk mitigation:

a. Implementing control measures to reduce the likelihood and impact of identified risks, such as diversifying investments, diversifying credit exposures, applying prudent collateral and exposure limits, and strengthening internal control mechanisms.

b. Developing contingency plans and maintaining adequate liquidity buffers to ensure the Company can manage unexpected disruptions, market stress events, operational incidents, or financial stress situations.

c. Establishing clear protocols for responding to risks, including escalation procedures, approval authorities, reporting requirements, and responsibilities for corrective and preventive actions.

d. Regularly reviewing and updating risk management strategies, policies, procedures, risk limits, and control measures to ensure they remain relevant and effective in addressing existing, new, and emerging risks.

e. Training employees, management, and relevant stakeholders on risk management practices, regulatory requirements, information security, and internal control processes to promote a culture of awareness, accountability, and proactive risk management.

f. Ensuring compliance with applicable regulatory guidelines, internal policies, and industry best practices to minimize legal, regulatory, compliance, and reputational risks.

g. Monitoring Key Risk Indicators (KRIs), risk limits, control exceptions, and emerging risks on a periodic basis and initiating timely corrective actions wherever risk thresholds are breached or adverse trends are identified.

h. Conducting periodic stress testing, scenario analysis, and risk reviews, wherever applicable, to assess the effectiveness of mitigation measures and the Company's preparedness to withstand adverse situations.

i. Maintaining appropriate documentation of mitigation measures, action plans, risk acceptance decisions, and status of corrective actions through the Risk Register and related risk management records.

j. Reporting significant risks, material incidents, control failures, and breaches of approved risk limits to senior management, the Risk Management Committee (RMC), and the Board, as appropriate, for oversight and timely intervention.

8. Reporting and Monitoring

The risks identified shall be reported to the Risk Management Committee (RMC) on a periodic basis, and unfavourable deviations of the Company's actual risk profile from the approved risk appetite shall be identified, monitored, and addressed through appropriate corrective and preventive actions. The reporting process shall enable timely escalation of significant risks, emerging risks, control deficiencies, and breaches of approved risk limits to ensure effective oversight and decision-making.

The Risk Management Committee shall ensure an effective risk monitoring mechanism through the utilisation of appropriate Management Information Systems (MIS), risk dashboards, Key Risk Indicators (KRIs), and other monitoring tools on an ongoing basis. Further, a summary report on the risks identified and addressed, status of mitigation measures, risk appetite breaches, emerging risks, and instances requiring management attention shall be submitted to the Risk Management Committee on a quarterly basis. The Risk Management Function shall maintain appropriate documentation and reporting of risk assessments, material incidents, control failures, and corrective actions to support effective monitoring and governance.

In case of any major deviations, material findings, significant risk events, regulatory non-compliance, operational disruptions, cyber incidents, or breaches of approved risk thresholds, the same shall be promptly escalated to senior management and brought to the notice of the Board of Directors for its review and guidance.

The Board of Directors shall, at least annually, review the Risk Management Policy, risk management processes, risk appetite framework, key risk exposures, effectiveness of risk mitigation measures, and material instances of deviations. The Board shall also review the adequacy and effectiveness of the Company's overall risk management framework and provide strategic direction to ensure that risks are managed within the approved risk appetite and in compliance with applicable regulatory requirements.

9. Exception Handling

The Policy shall be reviewed and updated periodically to ensure alignment with applicable laws, regulations, circulars, Master Directions, and regulatory guidelines issued by the Reserve Bank of India and other applicable regulatory authorities. However, in the event of any conflict, inconsistency, or ambiguity between the provisions of this Policy and applicable regulatory requirements, the regulatory provisions shall prevail and supersede the provisions of this Policy to the extent of such conflict.

The updated Policy shall be adhered to at all times. Any exception, deviation, waiver, or departure from the provisions of this Policy shall be approved by the Board of Directors or the authority duly delegated by the Board, wherever permitted, after recording the rationale and justification in writing. All approved exceptions shall be properly documented, monitored, and reported through the Company's governance framework. Material exceptions having a significant impact on the Company's risk profile, regulatory compliance, or financial position shall be placed before the Board of Directors and the Risk Management Committee (RMC), as applicable, for review and oversight.

10. Reviewed

This Policy shall be reviewed by the Board of Directors at least annually and more frequently, if required, due to changes in the Company's business activities, risk profile, regulatory requirements, or operating environment. Any amendments, modifications, or revisions to this Policy shall be subject to the approval of the Board of Directors. The Risk Management Committee (RMC) and Management may periodically review the effectiveness of the Policy and recommend necessary changes to ensure continued alignment with the Company's risk management framework, Board-approved risk appetite, and applicable regulatory requirements.

The Policy shall remain in force until modified, amended, or replaced by a subsequent policy approved by the Board of Directors. All concerned persons shall be responsible for ensuring compliance with the Policy and any amendments issued from time to time.