

RISK MANAGEMENT POLICY

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Version Control

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1. Preamble

The Board of Directors (“Board”) of Mirae Asset Financial Services (India) Private Limited (“MAFS” or “the Company”), has adopted the following policy which encompasses practices relating to identification, assessment, monitoring and mitigation of various risks to the business. The Risk Management Policy of the Company seeks to minimize unfavourable impact on the business objectives and develop stakeholder value. Further, the risk management practices seek to sustain and enhance long-term competitive advantage for the Company.

The Reserve Bank of India, vide its Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025 (as amended from time to time) , has envisaged the creation of a Risk Management Committee (“RMC”) at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and shall report to the Board.

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aim to improve the governance’s practices across the business activities of the Company.

2. Purpose

The risk management policy sets out the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the corporate culture. The formulation and authorization of the risk policy at the corporate level illustrates executive management’s commitment to implement and continuously develop risk management within the company.

The purpose of this policy is to outline guidelines mandated by MAFS’ Risk management team, and Board of Directors in the identification, assessment, measurement, monitoring, and reporting of all risks associated with the activities conducted by the organization. The policy is designed to specifically address the responsibilities and requirements of the management of MAFS as they fulfill their risk management duties.

Risk Management processes shall relate to the following key segregations –

- Market Risk
- Credit Risk
- Operational Risk including IT and Security Risks
- Liquidity Risk
- Interest Rate Risk
- Other key Risk as covered in this policy.

Market Risk shall be managed by the Treasury team with oversight from the Risk Management Team, Risk Management Committee (RMC) and Asset & Liability Management Committee (ALCO). Credit Risk shall be controlled through the Credit Risk team. Operational Risks shall be monitored through the Internal Audit, Compliance and IT teams, with oversight of the Risk Management team and reporting to the Risk Management Committee. Liquidity and Interest rate Risk Management separately governed by Liquidity Risk and Asset & Liability Management Policy under the supervision of ALCO.

The Risk Management Policy does not replace any of the existing policies or compliance programs. The policy sets forth the following Risk Management objectives:

- Identify, assess, and report existing, and new risks associated with various activities in a structured manner. This will facilitate timely and effective management of risks and opportunities and facilitate achievement of MAFS's objectives.
- Inculcate a culture that encourages all staff to identify risks and opportunities and respond to them effectively.
- Escalation of the risks identified to the Board of Directors of MAFS.

To achieve the above objectives MAFS aims to ensure that:

- All risks are identified continuously
- All risks are assessed for impact, likelihood, and exposure
- Risk response strategy is formulated for key risks by management
- Information on risks and the response strategy is escalated in a timely manner to facilitate decision- making

3. Risk Management Organization

A robust organizational structure for managing and reporting on risks is a pre-requisite for an effective risk management process. The responsibility for identification, assessment, management and reporting of risks and opportunities will primarily rest with the process owners. They are best positioned to identify the opportunities and risks they face, evaluate these, and manage them on a day-to-day basis. The Board shall provide oversight on these matters. The structure and roles and responsibilities of the risk organization at MAFS.

3.1 Role of Board of Directors:

The Board of Directors has the responsibility for overseeing all risks associated with the activities of MAFS, and in establishing a strong internal control environment that fulfils the expectations of MAFS's stakeholders / investors and is consistent with safe and sound practices. In order to manage various risks, the Board of Directors (BOD) shall fulfil their role in risk oversight by.

- Developing policies and procedures around risk that are consistent with the organization's strategy and risk appetite.

- Following up on management's implementation of risk management policies and procedures.
- Following up to be assured that risk management policies and procedures function as they are intended.
- Taking steps to foster risk awareness.
- Encourage an organizational culture of risk adjusting awareness.

Key exceptions to policies, procedures and parameters will be reviewed and evaluated by MAFS's Board of Director for appropriate resolution. Any adverse / material risks faced shall be ratified by the Board. The Board of Directors will review this policy statement on at least an annual basis, depending on the circumstances faced by the organization.

3.2 Role of the Operations Committee:

The Operations Committee provides an overall assessment of risks impacting the activities of the company covering operational areas and will meet on a quarterly basis or whenever events warrant.

The Operations Committee is responsible for taking decisions for smooth operations of Company in line with powers vested by Board of Directors including following:

- Take cognizance of risks associates with the operations of the Company.
- Monitor and take explanation for the exceptions that may have occurred in the interim.
- To review the Complaints raised by Customers, with root cause analysis, and to ensure all complaints and grievances are addressed within regulatory timelines.
- To review status and compliance of KYC and CKYC guidelines, especially any pending/overdue cases.
- Report to the Board of Directors on quarterly basis highlighting key decisions, recommendations, operational performance, challenges and exceptions, if any.
- Any other matters as delegated by the board of directors from time to time.

3.3 Role of Risk Management Committee

The Company has the Risk Management Committee, which was constituted with the overall responsibility of overseeing and reviewing risk management across the Company.

The roles and responsibilities of Risk Management Committee shall be as under:

- Reviewing and approving the risk management policy and associated framework, processes and practices of the Company on an annual basis including by considering the changing industry dynamics and evolving complexity;
- Ensuring the appropriateness of the Company in taking measures to achieve prudent balance between risk and reward in both ongoing and new business activities;

- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- Review reports and significant findings of Risk and Compliance by the Internal/Statutory Auditors /Regulatory Bodies/ Any other external agencies as may have been appointed by the Company from time to time, with respect to the risk management and compliance activities, together with management's responses and follow-up to these reports.
- Evaluate significant risk exposures and concentration i.e Corporate Lending concentration, profile concentration, geographic concentration and take remedial actions wherever required.
- Laying down the risk tolerance limits and Monitoring risk exposures at periodic intervals. These are defined in Annexure A.
- Reporting to the Board on periodic basis
- Assist the Board in effective operation of risk management system by performing specialized analyses and quality reviews;
- Reviewing, investigating the instances reported for fraud or unethical behavior of employees or Senior Management Officials and taking suitable disciplinary action against such employees
- Overseeing and Identifying the wilful defaulters, if any.
- Monitoring and Reviewing of the Risk Management Plan including Cyber Security risk;
- Coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice)
- Any other function as may be mandated by the Board or stipulated by the Reserve Bank of India guidelines or any other regulatory authorities from time to time.

3.4 Role of Audit Committee

The Audit Committee is majorly responsible for overseeing financial reporting risks and related internal controls, risk, and ethics and compliance. The Company has a separate independent committee, namely, the Audit Committee, which was constituted with the overall responsibility of overseeing and reviewing risk management, control effectiveness by Internal Audit, key control deficiencies observed and counter measures to address these.

3.5 Role of Internal Audit:

Internal Audit provides independent assurance of the risk management system and the processes supporting it. Its role is essentially to review the overall effectiveness of the risk mitigation measures. The position of Internal Audit within the company enables it to assist the Board of Directors / Senior Management / Operations Committee in their monitoring function and to play an integral role in the promotion of risk management. Internal Audit is specifically responsible for:

- Testing compliance with the risk management framework at all levels.
- Identifying and putting emphasis on the potential impact of weaknesses in the risk management system.

- Making spot checks of risk evaluation and the suitability of risk mitigation measures; and
- Supporting the risk management process in the Locations by providing advice about risk management standards and best-practice procedures.

4. Risk Management Process

Risk Management is a continuous interplay of actions that permeate the Company. It is affected by the Company's Board of Directors, management, and other personnel. The risk management process of the Company aims at providing reasonable assurance regarding achievement of the Company's objectives.

To provide reasonable assurance, the Company's risk management process endeavours to help:

- Identify, assess, and escalate new risks impacting the objectives of the Company,
- Define measures to respond to the new risks effectively,
- Monitor movement (if any) in existing risks,
- Monitor effectiveness of existing risk management measures, and
- Report risks and risk management measures to the Board on a periodic basis

The processes mentioned below are in the sequence followed, for performing risk management for the first time, and should not be followed strictly in a serial process for risk management on an ongoing basis.

Risk Management is a dynamic process and almost any component can and will influence another.

Our risk management approach is composed primarily of below components:

- Risk Identification
- Risk Assessment
- Risk Handling
- Developing Risk Response and Assessing Control Activities
- Monitoring Risk and Controls

4.1 Risk Identification

External and internal risk factors that must be managed are identified in the context of business objectives. Management's responsibility, as delegated by the Board, is to operationalize the Risk Management Program and ensure that formal procedures are put in place to identify and define risk with input from representatives across the businesses.

The following risks have been identified by the organization:

Strategic Risk

This risk is related to the overall business strategies and the related economic/business environment.

Mitigation:

Management will adopt a proactive approach to adapting to changes in the economic and business environment. Business strategies will be reviewed regularly in consultation with senior officials to ensure

timely and appropriate actions are taken. Additionally, key strategic issues will be presented to the Board or its Committees—comprising members with diverse expertise in relevant areas—for thorough discussions, leveraging the advantage of collective insight.

Operational Risk

Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies, outsourcing of activities to vendors.

Mitigation:

The Company will strictly enforce adherence to operational procedures across all its business activities to eliminate inefficiencies and minimize errors. The Company encourages all its employees to report any instances or suspected instances of violation of ethics, malpractice, corruption, fraud or any other unethical behaviour. Since most of the processes are digitized with maker-checker in place, such risks are controlled naturally in the implementation structure.

Additionally, MAFS ensures the resilience of its technology infrastructure by:

- Hosting business applications in secure cloud-based servers.
- Implementing disaster recovery and business continuity plans.
- Complying with RBI's Master Direction on IT framework and outsourcing norms.
- Automation of key processes to reduce manual interventions.
- Integration of advanced technologies to streamline operations.

Market Risk

Risks related to changes in various markets in which the Company operates.

Mitigation:

Management, treasury and risk teams regularly reviews the business model including the areas it wants to operate. The Management also tracks various macro/micro-economic trends, forecasts etc. in the Asset and Liability Management Committee (ALCO) on quarterly basis or periodically as may be required.

Financial Risk

These risks include movement in interest rates and also liquidity risks inherent to the business.

Interest Rate Risk: Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The immediate impact of changes in interest rates is on Company's earnings and impacts the Net Interest Income (NII). The Company manages the NII risk by pricing the loan according to prevailing interest rates and adjusting the pricing based on underlying perceived risks in the products.

Liquidity Risk: Measuring and managing liquidity needs are vital for effective operations of an NBFC. Liquidity shortfall can have repercussions on entire system. The risk of liquidity mismatch can be

detrimental to functioning of an NBFC and hence is critical to be monitored and managed well. A skewed asset-liability profile can lead to severe liquidity shortfall and result in significantly higher cost of funds, especially during times of crises. Similarly a high degree of leverage or increase in market perception risk can also have significant bearing on cost of borrowings.

Mitigation:

Asset and Liability Management Committee (ALCO) shall be conducted to identify short term/ long term liquidity gaps and thereby take corrective actions. The Committee also reviews various interest & liquidity risk parameters. The Company also has defined its targeted Capital Adequacy Ratio well above regulatory limits and the same is monitored on an ongoing basis.

Reputational Risk

Where the practices followed by the Company are not in consonance with industry as well as internally prescribed standards.

Mitigation:

Risks to the Company's reputation is addressed by:

- Have a Fair Practice Code that sets out ethical conduct and ensures customers are treated fairly, respectfully, and without bias.
- Maintaining a strong customer grievance redressal system, with a multi-level structure for resolving complaints quickly and effectively.
- Monitoring customer feedback to detect and respond to emerging concerns before they escalate.
- Ensuring transparency in stakeholder communication by providing clear, accurate, and timely information about products, services, and business practices.
- Embedding a culture of compliance, ensuring strict adherence to all applicable laws, regulations, and internal policies.
- Promoting ethical behaviour throughout the organization, including thorough employee screening and swift disciplinary action for misconduct.

Credit & Concentration Risk

This risk can arise due to increase in default by the borrowers, inadequate underwriting standards and risk mitigation practices. Also, the risk can arise due to high concentration on particular borrowers, segments, sectors or industries.

Mitigation:

An effective credit risk management process will help maintain the quality of the Company's portfolio.

Credit Bureau Check: A credit check is conducted for every customer through an automated system-to-system integration with the Credit Bureau which checks overall credit score and/or credit history and the parameters are documented as part of the credit policy of the respective products

Multi-Step Customer Verification: MAFS employs multi-step customer verification process, leveraging advanced digital technologies. The company has fully implemented e-KYC to authenticate customer identities securely and efficiently. Instead of relying on self-submitted documents, MAFS verifies the borrower's Aadhaar details directly from sources, ensuring authenticity and minimizing fraud risk.

Further strengthening the verification process, validates the borrower's virtual address by tracking the IP address used during the application process. Additionally, when customers provide digital signatures, the geo-location/IP Address are tracked and captured. This comprehensive approach ensures a secure, reliable, and fraud-resistant verification process.

The portfolio is closely monitored including various key risk indicators, as per indicative list below and is done based on the requirements of various segments/products:

- Delinquencies across various ticket sizes, credit scores, age groups, locations etc.
- First EMI bounce
- First Payment Delinquency
- Second Payment Delinquency
- Third Payment Delinquency
- Vintage Analysis based on month on book
- Other triggers as may be identified during monitoring

Regulatory & Compliance Risk

Where privacy, consumer and prudential laws are not adequately complied with.

Mitigation:

- Regular monitoring of regulatory circulars and timely implementation of the latest compliance requirements.
- Seeking advice from consultants when there is ambiguity in regulatory provisions.
- Ensuring robust KYC processes, effective implementation of PMLA guidelines, and fostering a strong compliance culture among employees.
- The Compliance team closely tracks and ensures the implementation of various regulatory circulars and guidelines for various products and at company levels.

Human Resource Risk

Where the employee related factors are not handled cautiously such as safety, security, compensation, etc. or on account of high attrition in senior management positions or critical functions.

Mitigation:

Human Resource Policy and Initiatives: The HR department implements a range of programs and initiatives aimed at retaining talent and consistently motivating employees

Legal Risk

Risk relating to execution and enforcement of legal documents with the Borrowers.

Mitigation:

The Company mitigates legal risk by using standardized, legally compliant documentation, ensuring proper execution and record-keeping.

Outsourcing Risk

Risks due to non-performance by service provider as per the terms of agreement.

Mitigation:

The Company will mitigate outsourcing risk by well-defined data contracts, implementing secure API integrations, and conducting due diligence on all partners. Additionally, it will ensure full compliance with RBI guidelines on outsourcing of IT and financial services.

IT Risk

Failure of IT Infrastructure on maintaining confidentiality, integrity and availability of IT assets.

Mitigation:

- Strong controls like end-point encryption and endpoint protection are enforced.
- Proactive monitoring: Integrated with SOC for real-time alerting and incident detection.
- Regulatory compliance: Controls are aligned with RBI IT and cyber security guidelines.
- Residual risk management: Cyber insurance planned; gaps in coverage acknowledged and tracked.
- Testing Maintaining and Reassessing Business Continuity Plans.
- Conducting periodic DR Drills

4.2 Risk Assessment

Once risks are identified, they are evaluated or assessed, i.e., the impact of the risk is quantified to determine its potential effect on the profit and its probability of occurrence. The key objective is to measure the relative importance of risks, which enables prioritization and focus on important risks.

Reporting to the Board should be as follows.

- Reporting of significant events/incidents should be done as and when they occur
- Reporting on the changes in the Risk profile on a quarterly basis. Risks would be updated i.e., added, deleted, and reassessed.
- Based on the assessment of the risks updated/ identified, the risks will be escalated to the Board.

4.3 Risk Handling

The third stage of the risk management process is risk handling. Management selects a series of actions to align risks with the Company's risk appetite and risk tolerance levels to reduce the potential financial impact of the risk should it occur and/or to reduce the expected frequency of its occurrence. Possible responses to risk include avoiding, accepting, reducing, or sharing the risks.

Risk avoidance

Withdrawal from activities where additional risk handling is not cost effective and the returns are unattractive in relation to the risks face.

Risk acceptance

Acceptance of risk where additional risk handling is not cost effective, but the potential returns are attractive in relation to the risks faced.

Risk reduction

Activities and measures designed to reduce the probability of risk crystallizing and/or minimize the severity of its impact should it crystallize (e.g., hedging, loss prevention, crisis management, business continuity planning, quality management).

Risk sharing

Activities and measures designed to transfer to a third-party, responsibility for managing risk and/or liability for the financial consequence of risk should it crystallize. In accordance with the defined roles and responsibilities, the operating Departments are responsible for implementing sufficient risk handling to manage risks at an acceptable level. If necessary, guidance on the development and implementation of risk handling measures may be attained from the Senior Management/Board of Director.

4.4 Developing Risk Response and Assessing Control Activities

Where there is either insufficient or excessive risk handling it is the Departments' responsibility to develop action plans to rectify the situation and ensure their timely completion. Action plans will be prioritized according to the risk content. The cost of implementing additional risk handling needs to be recognized and wherever possible alternative options will be evaluated to find the most cost-effective option to handle risks. In circumstances where action plans have a long implementation timeframe consideration will be given to interim options. Considering the nature and type of products offered by MAFS, below are the risks associated with each type of product along with their risk mitigation measures.

4.4.1 Loan Against Securities (LAS)

1. Risk Monitoring:

Risk monitoring will be done daily. A proper and accurate valuation of the pledged assets should be carried out marked-to-market. Margin shortfall communication will be sent to clients on a regular basis. Liquidation will be done as per the internal collection grid if client fails to maintain margin. Adherence to regulatory guidelines in all respects shall be ensured.

2. Risk Assessment and Mitigant Measure

Risks	Mitigation Measure
Price Risk	Sufficient margin will be maintained against securities.
Irregular/ Non-payment of interest	Interest is to be collected from clients, either by way of taking an electronic mandate or clients can directly pay. In case of any overdue the same will be recovered through liquidation after providing adequate intimation to clients.
Operational Risk - Error in Execution of Pledge / unpledged or in reports	Reconciliation will be done periodically and also gaps, if any will be identified through internal audits. Process rectifications to be carried out to ensure process gaps are addressed on immediate basis.

4.4.2 Co-lending: Unsecured Personal Loan

1. Risk Monitoring

MAFS does co-lending with select co-lending partners after doing a thorough due-diligence of the partners' financials, credentials, track record, portfolio health etc. Based on the detailed analysis by risk team, underwriting policy is decided for onboarding and accordingly underwriting is done through system based credit rule engines. Disbursement and collection happen through a joint escrow mechanism with the co-lender directly to and from the borrowers.

Portfolio performance monitoring is crucial and is done closely along with portfolio triggers and collection matrices. Also, review of the default loss guarantee is done by risk team to ensure principal loss is protected as permitted by RBI from time to time. Reconciliation of various data points with Bank Receipts, Disbursements, data in system etc. are to be ensured by Operations & Finance departments.

2. Risk Assessment and Mitigant Measure

Risks	Mitigation Measure
Unsecured Lending	Same is partly secured by way of default loss guarantee from the co-lender. Thorough due-diligence is done on the partners including their portfolio quality, collection structure and mechanism and compliances with guidelines. Additionally, the portfolio performance is monitored closely to ensure the delinquencies remain within tolerance limits.

4.4.3 Unsecured Personal Loan:

1. Risk Monitoring

MAFS had lent to customers after conducting due-diligence of their past credit history, repayment abilities and other parameters as per the credit risk policy. Cases were decided based on both automated rule engine and also based on manual review, including personal discussions with the customer. MAFS also undertakes lending through various lending service providers whereby credit policies are in-built in the loan origination systems and applications are filtered using the same including final loan eligibility. Only after approval in system are the funds disbursed. Portfolio performance monitoring is crucial and is done closely along with portfolio triggers and collection matrices.

2. Risk Assessment and Mitigant Measure

Risks	Mitigation Measure
Unsecured Lending	Lending is given to only those clients who qualify based on the policy approved by MAFS.
Risk of Repayment by client	Funding is done to those clients who have sound financial background and/or based on credit rule engines.

4.4.4 Monitoring Risks and Controls

There need to be adequate controls and ongoing monitoring mechanisms to enable timely notification of fundamental changes in risks or their handling measures. Since the internal and external environment within which the Company operates is exposed to change continuously, the risk management process must remain sufficiently flexible to accommodate new situations as they arise. Risk responses that were once effective may become irrelevant; control activities may become less effective or no longer be performed; or entity objectives may change.

In the face of such changes, management needs to determine whether the functioning of the risk management framework continues to be effective. This is ensured by way of continuous and proactive monitoring of the portfolio by risk team and ensuring good portfolio quality.

5. Risk Reporting

Periodic reporting on risks is required to determine whether the impact of the risk is increasing or decreasing and to ensure continuing alignment of organizational resources to priorities.

The reporting of key risks and risk handling measures is necessary to:

- Improve the quality of and support timely decision making
- Determine priorities for action and improvement
- Enable Senior Management to satisfy themselves that the key risks are being identified and managed to an acceptable level.

Timely risk reporting is ensured by way of periodic MIS circulated by risk team highlighting key portfolio numbers and periodic reporting to Risk Management Committee.

6. Risk Appetite and Internal Risk Tolerance Framework

MAFS shall operate within a Board approved Risk Appetite Statement and a set of measurable internal risk tolerance limits, calibrated to its business model comprising (a) loan against securities, (b) unsecured lending based on co-lending or lending service provider model, backed by default loss guarantees (DLG) as permitted by Reserve Bank of India (RBI).

Risk Appetite Statement

The Company adopts a moderate & controlled risk appetite, with priority accorded to capital preservation, asset quality, compliance, customer protection, liquidity resilience, operational continuity and reputational integrity. Growth shall be pursued only within approved risk limits and subject to portfolio performance remaining tolerance bands.

Core principles governing risk tolerance:

- No product or partner shall be expanded beyond approved risk limits without approval from Credit Committee.
- Higher risk exposures, including unsecured and co-lending portfolios shall be subject to continuous monitoring.
- All products and policies shall be reviewed periodically.
- Any material concern based on portfolio review or product performance shall be escalated to the Senior Management, Risk Management Committee and where, required the Board of the Company.

Annexure A as appended herewith may be referred for Proposed Risk Tolerance Limits. These limits can be reviewed periodically by the Risk Management Committee and amended as may be necessary, within the overall Risk Appetite of the Company.

7. Risk Management Architecture

The Company shall maintain a clearly defined risk management architecture based on the three lines of defence model, supported by Board oversight and committee governance.

7.1 First Line of Defence – Business & Operations

- Own and manage risks arising from origination, underwriting, disbursement, servicing, collections, reconciliation and customer servicing.
- Ensure adherence to approved policies, operating procedures, sanction conditions, documentation standards & regulatory requirements.
- Perform maker-checker controls, exception reporting and timely closure of identified control gaps.

7.2 Second Line of Defence – Risk and Compliance

- Independently design and maintain risk management framework, including risk appetite, risk tolerance limits, stress testing and portfolio monitoring.
- Review product proposals, partner onboarding, underwriting criteria, Default Loss Guarantee arrangements and portfolio performance.
- Monitor compliance with applicable RBI Guidelines.
- Escalate breaches and adverse trends to the Risk Management Committee and Senior Management.

7.3 Third Line of Defence – Internal Audit

- Provide independent assurance on the adequacy and operating effectiveness of risk management framework and key controls.
- Test compliance with policy conditions, portfolio controls, reconciliation process and delegated authorities.
- Track the closure of audit observations and repeated control deficiencies.

7.4 Governance Structure

- **Board of Directors:** Approves the policies, risk appetite statement, material risk tolerance limits and any significant changes to the framework.
- **Risk Management Committee (RMC):** Oversees integrated risk management, portfolio trends, stress tests, breaches and remedial action plans.
- **Asset Liability Management Committee (ALCO):** Oversees liquidity risk, interest rate risk and balance sheet management.
- **Senior Management:** implements the framework and ensures timely reporting and remediation.
- **Chief Risk Officer/ Risk Head:** coordinates risk reporting, independent review & escalations.
- **Business Heads/ Process Owners:** remain accountable for day-to-day risk ownership and control execution.

8. Risk Governance Framework

Given the Company's business model, the risk framework shall separately address collateral-backed lending, unsecured lending, co-lending and any portfolios backed by Default Loss Guarantee (DLG) supported by portfolios.

8.1 Loan against Securities

- Daily mark-to-market valuation of pledged securities.
- Daily monitoring of LTV, margin shortfall and concentration in individual securities and scrips.
- Margin call or liquidation process as per approved policy / process.

8.2 Co-lending

- Mandatory due-diligence of co-lending partner's financial strength, underwriting discipline, collection capability, portfolio performance etc.
- Portfolio covered by DLG shall be clearly identified and measurable and shall at all points in time be maintained within the regulatory cap prescribed.
- DLG invocation shall follow the timeline and process prescribed under the contract and applicable RBI directions.
- DLG shall not result in dilution of appraisal or monitoring standards of the portfolio, and the Company shall continue to apply prudent principles irrespective of the DLG being available.

Annexure A: Internal Risk Tolerance Limits*

Particulars	Internal Tolerance Limit	Monitoring Frequency	Action to be taken in event of breach
Capital Adequacy	$\geq 20.00\%$	Monthly	Immediate capital review and contingency plan
Leverage Ratio	≤ 5.00 times	Monthly	Report to Senior Management and plan for Borrowing Reduction
Liquidity Ratio (6month)	$\geq 60.00\%$	Monthly	Report to Senior Management, take action as directed
Commercial Paper to Total Borrowings	$\leq 85.00\%$	Monthly	Report to Senior Management, take action as directed
Non-Convertible Debentures (NCDs) (original maturity less than one year) to total assets	$\leq 25\%$	Monthly	Report to Senior Management, take action as directed
Short-Term Liabilities to Total Liabilities	$\leq 95\%$	Monthly	Report to Senior Management, take action as directed
Long-Term Assets to Total Assets	$\leq 30\%$	Monthly	Report to Senior Management, take action as directed
Collateral Position Management – Position of Unencumbered assets that could serve as collateral for additional secured borrowing.	$> 10\%$ of Total Assets	Monthly	Report to Senior Management, take action as directed
Contingency Funding Plan: Maintain liquidity buffer	≥ 1 time over next one month's contractual repayments & financial overheads	Monthly	Report to Senior Management, take action as directed
Net Non-Performing Assets (NNPA)	$\leq 2.00\%$	Quarterly	To take corrective action by way of Policy Corrections
Provision Coverage Ratio (PCR)	$\geq 70.00\%$	Quarterly	To take corrective action by way of Policy Corrections
Loan to Value Ratio for Loans backed by Equity Shares or Equity Mutual Funds or Exchange Traded Funds	$\leq 50.00\%$	Daily	To be regularized within 7 working days
Default Loss Guarantee (DLG) for loans under co-lending or lending service provider tie-up	$\leq 5.00\%$	Monthly	Immediate corrective action

Annexure B: Role Clarity Matrix

Function	Primary Responsibility	Frequency
Board	Approve policy, risk appetite, tolerance limits and significant exceptions.	As required
Risk Management Committee (RMC)	Review integrated risk profile, portfolio review, major breaches and remediation.	Quarterly
Asset Liability Management Committee (ALCO)	Monitor liquidity and interest rate risk and stress scenarios.	Quarterly
Chief Risk Officer / Head Risk	Maintain independent oversight and risk reporting framework.	Ongoing
Business / Operations	Own day-to-day controls, underwriting discipline and operational execution.	Ongoing
Internal Audit	Provide assurance on framework effectiveness and control adherence.	Per audit plan