HI KLASS TRADING AND INVESTMENT LIMITED

RBI REGISTERED NBFC

RISK MANAGEMENT POLICY

1. Preamble:

Hi-Klass Trading and Investment Limited ("Company") is a Non-Banking Financial Company – Non-Deposit Taking, Non-Systemically Important, classified as **NBFC–Base Layer (NBFC-BL)** under the **Scale Based Regulation (SBR)** framework issued by the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 dated November 28, 2025. The Company holds a valid Certificate of Registration (CoR) issued by RBI. has adopted the Risk Management Policy ("Policy") which encompasses practices relating to identification, assessment, monitoring and mitigation of various risk to business.

This policy also includes:

(a) As per internal discussion, a separate Fraud Risk Management Policy is being framed as per Reserve Bank of India Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India

(b) ***Financial Institutions dated July 15, 2024]***Governance Framework - In view of the criticality of the nature of the business model in determining the classification of financial assets and restrictions on subsequent reclassification, the RBI has wided mandated every NBFC to put in place Board approved policy that clearly articulate and document its business models and portfolios which includes Expected Credit Loss (ECL) policy as part of the Governance Framework required for prescribing the guiding principles for assessing and measuring credit risk on all lending exposures of the Company commensurate with the size, complexity and risk profile specific of the Company as applicable

Accordingly, this policy includes the Governance Framework related provisions to the extent applicable to the Company in accordance with Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.Non-Banking Financial companies (NBFCs) form an integral part of the Indian financial system. NBFCs are required to ensure that a proper policy framework on Risk Management Systems with the approval of the Board is formulated and put in place

2. Definitions:

a. "Applicable Laws" includes Companies Act, 2013, RBI Master Directions and SEBI (Listing Obligations and Disclosures Requirements), 2015 and such other laws or 3 provisions as applicable to the Company from time to time

b. “Board” means Board of Directors of the Company.

c. “Company” means Summit Securities Limited

d. “CFO” means Chief Financial Officer

e. “CEO” means Chief Executive Officer

f. "Directors” mean individual Director or Directors on the Board of the Company.

g. “IS” means Information System

h. “IT” means Information and Technology

i. “ITSC” means IT Strategy Committee of the Company

j. “LODR” means Listing Obligations and Disclosure Requirements

k. “MIS” means Management Information System

l. “NBFC” means Non-Banking Finance Company

m. “RBI” means Reserve Bank of India

n. “Relevant Authorities” includes statutory authorities like Ministry of Corporate Affairs, RBI, SEBI, etc.

o. “RM” means Risk Management

p. “FRM” means Fraud Risk Management

q. “RMC” means Risk Management Committee

r. “SEBI” means Securities Exchange Board of India

3. Purpose:

This policy has been formulated in accordance with the **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2025**, as amended from time to time, the Board of Directors ("Board") has adopted this Risk Management Policy ("Policy") to establish a structured and comprehensive framework for identification, assessment, monitoring, and mitigation of risks inherent in the Company’s business operation

4. Risk Management Processes

A. Risk Strategy:

a. A risk strategy will be framed to minimise the risk associated with the objective of the company.

b. Develop and implement a Fraud Risk Mitigation Strategy to: Monitor transactional data for fraudulent patterns, use periodic internal/external audits to identify and
address vulnerabilities, Encourage a culture of ethical behaviour through employee training programs

c. Benchmarking with similar companies like Summit to ensure that risk factors identified are aligned and mitigation plans drawn are realistic and implementation of such mitigation plan are adequate.

d. Existing controls will be validated for existence and effectiveness and will be matched against specific risk, to ascertain residual risk. If the residual risk is beyond the risk appetite, action points for reducing residual risk to risk appetite level will be developed.

e. Action points/risk response will be developed for top risk. Risk response will range between avoidance, sharing, reduction or acceptance.

B. Formulation of Risk Processes:

The Manager will define and recommend a risk appetite, risk strategy, key performance indicators/success measures and a monitoring process for implementation/feedback in order to embed Enterprise Risk Management (ERM) in the business culture.

b. Risk Management Committee (RMC)/ Audit Committee (AC) / Internal Auditor shall validate existing risk processes and formulate new risk processes, wherever necessary.

c. All Company personnel have a responsibility for maintaining good internal control and managing risk in order to achieve corporate objectives. Hence, it is essential that every responsible person in the organisation is aware of the risk they are empowered to take, risk which needs to be avoided and needs to be reported upwards.

d. Integrate a robust Early Warning System (EWS) for detecting fraud risks. The system should: Be approved by the Board, Use qualitative and quantitative indicators to flag potential fraud, Trigger timely preventive measures and deeper investigations.

C. Identification, measurement and Assessment of Risks:

a. The Manager shall consider all relevant questions for identification and assessment of risks.

b. Process owners of each key processes will undertake detailed study and prepare a list of potential risks. Internal auditors will facilitate process owners for identification of risk through interviews with the process owners and by reviewing process documents for validating and acceptance and adequacy of risk identification mechanism.

c. Manager will review and assess various risk/opportunities for each key process of the business, whether internal or external. An understanding of the objectives and associated critical factors will be gained through a review of business plans. External factors covering aspects of risks such as economy, technology, natural environment, political and social risk and internal factors covering risk of infrastructure, personnel and process technology will be covered through

interviews with management personnel at all levels.

d. Fraud risks, both internal (e.g., employee misconduct) and external (e.g., customer impersonation, forged documents), must be identified and assessed. Use techniques like process audits and transactional data analysis to detect vulnerabilities.

5. Risks Identified by The Company

I. **Strategic Risk**: This risk is related to overall business strategies and the related business vertical, geographical area, business environment, outsourcing activities.

II. **Operational Risk:** date to day business operations, technology failures, fraud, theft, storage and security, human errors or omissions, inadequate financial capacity.

III. **Market Risk**: Risk related to changes in market conditions in which company is operations.

IV. **Financial Risk**: These risks include movement in interest rates, liquidity risks, credit risks and political risk.

V. **Credit and Concentration Risk**: Credit risks incudes loss due to counterparty default in or failure of timely payment and loss due to a rating-downgrade. Concentration Risk is the risk to the company due to a very high credit exposure to a particular business segment, industry, geography, location, etc.

VI. **Regulatory and Compliance Risk**: non adherence to statutory and regulatory compliances, corporate governance, privacy leads towards Compliance risk.

VII. **Human Resources Risk**: Employee related factors, workplace safety and security, compensation.

VIII. **Reputation Risk**: Where the practices followed by the Company are not in consonance with industry as well as internally prescribed standards.

IX. **Interest Rate Risk** : Interest Rate Risk refers to the possibility of financial loss or adverse impact on the value of financial assets arising from unexpected movements in interest rates. Changes in RBI monetary policy, market interest rates and other economic factors may affect the Company's financial position and investment portfolio.

X. **Expected Credit Loss Risk** : Where applicable, the Company shall maintain appropriate processes for assessment and measurement of Expected Credit Loss ("ECL") under applicable accounting and regulatory requirements. The methodology, assumptions and parameters used for ECL calculation shall be appropriately documented. The ECL framework shall be commensurate with the size, complexity and risk profile of the Company's relevant exposures.

XI. **Investment Risk:** Investment Risk refers to the possibility of loss arising from fluctuations in the value, performance or liquidity of investments made by the Company.

The Company's investments shall be undertaken in accordance with the Investment Policy approved by the Board.

Investment decisions shall consider:

- financial position of the investee;
- business prospects;
- market conditions;
- concentration;
- liquidity;
- regulatory requirements; and
- other relevant risks.

6. <u>Following Risks Have Been Identified by the Company: Risk Categories and Mitigation Factor</u>

The following broad categories of risks have been identified in our risk management framework along with possible mitigation factors.

A. <u>Strategic Risk</u>

Risk:
Risk to earnings, capital or business sustainability arising from inappropriate business strategies, adverse decisions or failure to respond to changes in the business environment.

Mitigation:
Management shall regularly review business strategy and significant business developments. Material strategic matters shall be placed before the Board for deliberation and decision.

B. <u>Interest Rate Risk</u>

Risk:

Changes in interest rates may affect the value of financial assets, investment returns and financing costs.

Mitigation:

Interest rate movements shall be periodically monitored and the Company shall consider the impact of changing interest rates while making financial and investment decisions

C. <u>Operational Risk</u>

Risk:

Risks inherent in business operations including process failures, information security, human resources, physical security, business disruption and regulatory changes.

Mitigation:

- appropriate internal controls;
- proper documentation;
- secure storage of records;

- maintenance of electronic records;
- periodic internal audit;
- compliance testing;
- periodic review of processes; and
- timely updation of knowledge relating to applicable laws and regulations.

D. <u>Market Risk</u>

Risk:
Fluctuation in capital markets may adversely affect the valuation of the Company's investments.

Mitigation:

Management shall periodically review the investment portfolio and prevailing market conditions and take appropriate action within the approved Investment Policy

E. <u>Financial Risk</u>

Risk:
Actual financial performance may differ from projected performance due to market conditions, investment performance, interest rates and other economic factors.

Mitigation:

Management shall periodically review financial performance against projections and consider appropriate changes in business or investment strategy wherever necessary.

● **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 by changing its Net Interest Income (NII). The Company shall manage this risk on NII by pricing its loan products to customers at a rate which covers interest rate risk. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin (NIM). Measurement of such risk shall be done at the time of deciding rates to be offered to customers. Once interest rate risk is measured, lending rates shall be finalized. Given the interest rate fluctuation, the Company shall adopt a prudent & conservative risk mitigation strategy to minimize interest risk.

● **Liquidity Risk**: Measuring and managing liquidity is critical for the effective operation of an NBFC, as a shortfall in one institution can impact the entire financial system. The Board shall monitor the company's liquidity positions continuously and assess how requirements may change under different scenarios. Even traditionally liquid assets, such as government securities and money market instruments, can become illiquid in certain market conditions, so liquidity must be tracked through maturity or cash flow mismatches. A maturity ladder and cumulative surplus/deficit calculation at selected dates will be used as standard tools to

manage net funding requirements. Given the high dependence on external funding, the Company may be exposed to various funding and liquidity risks, including:

● **Funding Concentration Risk** - Concentration of a single source of funds exposes the Company to an inability to raise funds in a planned and timely manner and resort to high-cost emergency sources of funds. Further, concentration of funding sources can also result in a skewed maturity profile of liabilities and resultant Asset-Liability mismatch. Board should meet regularly to identify any short term / long term liquidity gaps and thereby takes immediate steps and corrective action to bridge the gap.

● **Market Perception Risk** - Due to inherent industry characteristics, the Company may get exposed to perception risks, which can lead to decline in ability of a lender to increase exposure to the Asset Finance and MSME sector and result lack of adequate and timely inflow of funds. The exposure profile to the lenders shall be regularly updated to ensure that skewness does not creep in in respect of the sources of external funds

● **Leverage Risk** - A high degree of leverage can severely impact the liquidity profile of the Company and lead to default in meeting its liabilities. Company shall target a leverage between 5x to 6x in light of the business model and adequately safeguard itself against the impact of adverse market conditions. It also affords Company reasonable time to tie-up timely equity infusion. Company shall target to maintain healthy levels of capital adequacy. The Company shall maintain a strong capital position with the capital ratios well above the threshold defined by the regulatory authorities through continuous and timely capital infusion.

F. **<u>Credit and Concentration Risk</u>**

Credit Risk: Any lending activity by the Company may get exposed to credit risk arising from repayment default by customers. Despite best efforts, there can be no assurance that repayment default will not occur and, in such circumstances, may have an effect on its results of operations. The Company may not be able to realize the full value of its financial assets or there could be delayed in realizing such value. Any such losses could adversely affect the Company's financial condition and results of operations. There can be a significant loss due to a rating-downgrade. A strong credit risk management process will help in containing the portfolio quality of the Company. Key elements of the credit risk management include a structured and standardized credit approval process supported by a strong system, effective training programs, legal and technical due diligence, monitoring and robust credit risk management strategy at a senior management

The Company is not currently engaged in lending activities and, therefore, does not face traditional credit risk. However, in the event the Company undertakes lending in the future, all such exposures will comply with the Reserve Bank of India (Non- Banking Financial Companies

– Credit Risk Management) Directions, 2025, including the computation of Expected Credit Loss (ECL), proper document and requisite security filings.

Expected Credit Loss (ECL)

The parameters and assumptions considered in the ECL estimation as well as their sensitivity to the ECL output as and when required to be documented shall prescribe the guiding principles for assessing and measuring credit risk on all lending exposures of the Company commensurate with the size, complexity and risk profile specific of the Company as fitting in the Company's Financial Statements as per Indian Accounting Standard (Ind AS) prepared updated or amended from time to time

The Company's approach towards computation of ECL, segmentation of loan portfolio, mechanics for computation of ECL, changes in assumptions, prudential floor for provisioning against assets as per or applicable regulatory framework as amended from time to time and commensurate with the size and business operation of the company shall be complied with before such credit is availed and reported to the risk management committee and board.

G. **Portfolio Concentration Risk** - Portfolio Concentration Risk is the risk to the Company due to a very high credit exposure to a particular business segment, industry, geography, location, etc. Company shall maintain a diversified exposure across various sectors and geographies to mitigate the risks that could arise due to political or other factors within a particular state. The Company has steadily diversified into various sectors and geographies and consequently the portfolio has become diversified. Various 3rd party verifications shall also be carried out to secure credit facilities.

H. **Regulatory and Compliance Risk**

Risk:
non-compliance with applicable laws, RBI directions, SEBI regulations, stock exchange requirements or other regulatory obligations.

Mitigation:

The Company shall maintain an appropriate compliance framework and undertake periodic compliance monitoring and reporting

I. Human Resource Risk

The Company's Human Resources function adds value by ensuring the right people are in the right roles and are empowered to contribute to organizational excellence. Growth is driven by attracting top talent and engaging them effectively. HR risks are minimized by promoting equal opportunity, fostering commitment and belonging, and providing training beyond specialization. Employees are encouraged to share ideas, innovations, and cost-saving suggestions, creating an environment that reduces risk exposure. Compensation is based on

fair appraisal systems, reflecting job responsibilities, peer comparison, and individual performance. HR initiatives and programs are regularly conducted to retain and motivate talent.

J. Reputation Risk

Reputation Risk arises from negative perceptions of the Company by customers, counterparties, shareholders, investors, or regulators. It can result from unethical practices, regulatory actions, customer complaints, or negative publicity, and can significantly impact the Company's brand and credibility in a regulated and socially sensitive industry. Key sources of reputational risk include:

- Non-compliance with regulations
- Customer dissatisfaction
- Misrepresentation of information

To mitigate these risks, the Company will implement:

- Compliance with the Fair Practice Code
- Grievance redressal mechanisms
- Delinquency management
- Stringent selection criteria
- Adherence to legal obligations

7. Responsibility

Responsibility for risk management shall be shared across the organization. Key responsibilities include:

- Controlling the risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the organization provides, the safety of the workplace and other benefits all depend to an extent on our ability to control risk.
- The Board shall be responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective risk management framework.
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8. Quantification Of Risks

a. Risks and opportunities identified through the Company's risk assessment process shall, wherever practicable, be quantified on the basis of predefined scales of impact and likelihood.

b. The following broad framework may be used:

Impact	**Likelihood**
Insignificant	Rare
Minor	Unlikely

Impact	Likelihood
Moderate	Moderate
Major	Likely
Catastrophic	Almost Certain

c. Significant risks shall be evaluated based on their inherent risk and residual risk after considering existing controls.

d. Appropriate mitigation measures shall be developed for risks falling outside the Company's approved risk appetite or tolerance.

e. Significant recurring and abnormal risks shall be presented to the RMC / Audit Committee / Board, as applicable, for review and determination of appropriate mitigation measures.

f. Each material risk shall, wherever practicable, have:

- an identified risk owner;
- defined risk indicators;
- documented controls;
- mitigation measures;
- monitoring frequency; and
- escalation mechanism.

9. <u>Amendments:</u>

This policy may be amended subject to the approval of Board of Directors, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

10. <u>Monitoring/Reporting Process</u>:

a) The Company shall maintain a Risk Register containing details of identified risks, risk owners, risk ratings, existing controls, mitigation measures and action plans.

b) The Risk Register shall be reviewed periodically and updated whenever there is a material change in the Company's business, risk profile, regulatory environment or control framework.

c) Internal Audit shall review risk-related matters within the scope of its audit plan and report significant observations to the appropriate Committee / Board.

d) The Internal Auditor shall consider the Company's risk profile while developing the audit plan.

e) Risk Management shall be treated as a continuous process.

f) The RMC shall review material risks periodically and at least as required under applicable laws and the Company's governance framework.

g) Material risk events, significant deviations and breaches of approved risk limits shall be escalated to the RMC and/or Board.

h) Fraud incidents shall be reported to the appropriate authorities within applicable regulatory timelines.

i) Significant fraud cases and material developments shall be appropriately reported to the Board and relevant Committees.

11. Risk Tolerance

The Company shall maintain appropriate internal tolerance levels for capital adequacy and Net Owned Fund, subject to applicable regulatory requirements.

RISK METRIC	REGULATORY REQUIREMENT	INTERNAL TOLERANCE / MONITORING	REMEDIAL ACTION
CRAR	As applicable under prevailing RBI requirements	Internal monitoring threshold as approved by the Board	Capital infusion / other appropriate measures
NOF	As applicable under prevailing RBI requirements	Internal buffer above regulatory minimum	Capital augmentation / corrective measures

The specific thresholds shall be reviewed periodically and updated whenever regulatory requirements or the Company's risk profile changes.

12. Concentration Risk Management for Sensitive Sector Exposure: -

11.1.1 Internal Limits for Sensitive Sector Exposure (SSE)

11.1.2 The Company shall maintain Board-approved internal limits for exposure to sensitive sectors. These limits are given separately in the Investment Policy of the Company

13. Governance Framework

As per Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025 dated November 28, 2025, as amended and/or any other applicable regulatory framework as amended from time to time, the Governance Framework forms part of this Policy In view of the criticality of the nature of the business model in determining the classification of financial assets and restrictions on subsequent reclassification, the RBI has mandated the Company being an NBFC to put in place Board approved policy that clearly articulate and document its business models and portfolios.

(i) The Company is required to articulate the objectives for managing each portfolio, which the Company being an Investment Company is also appropriately captured in its Investment Policy.

(ii) Any sales by the Company of amortised cost business model portfolios shall be disclosed in its notes to financial statements.

(iii) The Board of Directors shall approve sound methodologies for computation of Expected Credit Losses (ECL) that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size, complexity and risk profile specific to the Company's business. The parameters

and assumptions considered as well as their sensitivity to the ECL output shall be documented.

(iv) The Company shall not make changes in the parameters, assumptions and other aspects of its ECL model for the purposes of profit smoothening. The rationale and justification for any change in the ECL model shall be documented and approved by the Board. Similarly, the rationale and basis of any adjustments to the model output (i.e., a management overlay) shall be clearly documented and approved by the Audit Committee of the Board).

(v) Although Ind AS 109 does not explicitly define default but requires entities to define default in a manner consistent with that used for internal credit risk management. It is recommended that the definition of default adopted for accounting purposes shall be guided by the definition used for regulatory purposes. The rationale for classification of accounts that are past due beyond 90 days but not treated as impaired shall be clearly documented and approved by the Audit committee of the Board of directors. Further, the number of such accounts and the total amount outstanding and the overdue amounts shall be disclosed in the notes to the financial statements. ECL shall be computed at each reporting period under different scenarios with weightages decided by management from time-to-time.

(vi) The Company maintains a conservative risk profile aligned with its capital strength. Capital preservation and regulatory compliance take precedence over short-term profitability. Risk decisions are taken considering both normal and stressed conditions**.**

Expected Credit Loss = Exposure at default x Probability of default x Loss given default x Discounting Factor Discounting Factor (Df) will be EIR of the respective portfolio. The parameters such as PD and LGD shall be refreshed periodically.

Company shall provide impairment allowances as required by Ind AS. In parallel Company shall also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets, NPA ageing, etc.

A comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 shall be disclosed by the Company in the notes to its financial statements to provide a benchmark to it Board, supervisors of the Reserve Bank and other stakeholders, on the adequacy of provisioning for credit losses. Where impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), the Company shall appropriate the difference from its net profit or loss after tax to a separate 'Impairment Reserve'. The balance in the 'Impairment Reserve' shall not be reckoned for

regulatory capital. Further, no withdrawals shall be permitted from this reserve without prior permission from the Department of Supervision of the Reserve Bank.

(vii) All other compliance and disclosure requirements in the Financial Statements or Reports as per applicable regulatory framework shall be adhered to

14. Governance & Monitoring:

- Board of Directors approves RAF and reviews it annually
- Risk Management Committee monitors risk appetite metrics.
- Asset Liability Committee monitors liquidity and interest rate risks.
- Internal Audit independently reviews compliance with RAF.

15. Constitution of the Committee:

Shri Dipak Sundarka – Chairperson

Kumari Sanskkrity Jaiin - Member

Shri Navin Kumar Jain – Member

Smt. Bhawana Jha – Member

16. Roles And Responsibilities

16.1 Board of Directors:

The Board shall:

- approve the Risk Management Policy;
- approve the Risk Appetite Framework;
- review significant risks;
- ensure adequate risk management systems;
- review material breaches;
- ensure appropriate capital and liquidity management; and
- provide overall oversight of risk management.

16.2 Risk Management Committee

The RMC shall, within its terms of reference:

- review the Company's risk management framework;
- review the Risk Register;
- monitor significant risks;
- review risk mitigation measures;
- monitor adherence to risk appetite;
- review significant risk events;
- recommend appropriate actions to the Board;

- review the Risk Management Policy periodically; and
- undertake such other responsibilities as may be assigned by the Board or applicable law.

16.3 Management

Management shall be responsible for:

- implementation of this Policy;
- identification of risks;
- implementation of internal controls;
- monitoring of risk indicators;
- maintaining the Risk Register;
- implementation of mitigation measures; and
- timely escalation of material risks.

16.4 Internal Audit

Internal Audit shall independently review internal controls and risk management processes within the scope of its audit plan and report material observations to the appropriate Committee / Board

16.5 Company Secretary / Compliance Function

The Company Secretary / Compliance Function shall assist in:

- monitoring applicable regulatory requirements;
- coordinating RMC meetings;
- maintaining RMC records;
- ensuring appropriate statutory and regulatory disclosures;
- monitoring policy review requirements; and
- facilitating communication of material risk matters to the appropriate authority

17. RISK APPETITE FRAMEWORK:

17.1 Objective

The Risk Appetite Statement ("RAS") defines the level and types of risk that the Company is willing to accept while pursuing its strategic, financial and investment objectives.

The Company shall maintain a prudent and conservative approach to risk-taking, with capital preservation, regulatory compliance and long-term stakeholder value being given priority.

Risk decisions shall consider both normal and stressed conditions.

17.2 Business Context

The Company shall manage its financial resources through appropriate business and investment activities in accordance with policies approved by the Board.

The Company's risk appetite shall be aligned with:

- available capital;
- liquidity;

- financial resources;
- regulatory requirements;
- business strategy;
- investment strategy; and
- overall risk-bearing capacity.

17.3 Key Risk Limits and Tolerance Framework

Parameter	Risk Appetite / Monitoring Zone	Risk Tolerance / Escalation
CRAR	Above regulatory minimum with internal buffer	Breach of regulatory minimum to be immediately escalated
Single Counterparty Exposure	Within applicable regulatory / Board-approved limits	Breach to be escalated to RMC and Board
Leverage	Within approved limits	Any material breach to be escalated
Liquidity	Adequate liquidity maintained at all times	Material liquidity stress to be immediately escalated
Market Risk	Within approved investment limits	Material adverse movement to be reported
Compliance Risk	Zero tolerance for regulatory non-compliance	Any material breach to be escalated

The above framework shall be read together with applicable laws, RBI directions, SEBI regulations and Board-approved policies.

17.4 Breach Management

Any material breach of approved risk appetite, risk limits or regulatory requirements shall be escalated to the RMC and Board along with:

- details of the breach;
- reason for the breach;
- financial / operational impact;
- corrective measures;
- preventive measures; and
- proposed timeline for rectification.

17.5 Governance and Monitoring

The Board of Directors shall have overall responsibility for approving the Company's risk management framework and risk appetite.

The Risk Management Committee shall monitor the Company's risk profile and adherence to approved risk limits.

The Audit Committee shall consider risk-related matters falling within its terms of reference.

The Internal Auditor shall independently assess the effectiveness of internal controls and risk mitigation measures within the scope of internal audit.

Management shall be responsible for implementing approved risk mitigation measures.

17.6 Risk Appetite Framework

The Risk Appetite Framework establishes the level and types of risk that the Company is willing to assume in pursuit of its business objectives while ensuring alignment with its capital position and regulatory requirements.

Risk Category	Risk Appetite Statement
Strategic Risk	The Company shall maintain a prudent approach to strategic decisions and investments, subject to applicable laws and Board-approved policies.
Credit Risk	The Company shall maintain a controlled and prudent approach to credit exposure, with all lending activities, if undertaken, being within approved limits and applicable regulatory requirements.
Market Risk	The Company shall accept limited exposure to market fluctuations within approved investment limits.
Liquidity Risk	The Company shall maintain adequate liquidity to meet its obligations as and when they fall due.
Operational Risk	The Company shall maintain a low tolerance for operational failures and material control weaknesses.
Compliance Risk	The Company shall maintain zero tolerance for material non-compliance with applicable statutory and regulatory requirements.
Fraud Risk	The Company shall maintain zero tolerance for fraudulent, dishonest or unethical conduct.
Cyber Security Risk	The Company shall maintain a low tolerance for material cyber security weaknesses and incidents.
Reputational Risk	The Company shall adopt a conservative approach to activities that may adversely affect stakeholder confidence or reputation.

17.7 Quantitative Risk Metrics and Risk Tolerance Limits

The Company shall establish appropriate quantitative and qualitative risk metrics commensurate with its business model and risk profile.

Indicative areas of monitoring shall include:

Risk Area	Metric	Risk Limit / Appetite	Escalation
Liquidity Risk	Available liquid resources	Adequate level as approved	Material shortfall
Market Risk	Market value / MTM exposure	Within approved investment limits	Material adverse movement
Operational Risk	Significant operational incidents	Low tolerance	Material incident
Compliance Risk	Regulatory breaches	Zero tolerance	Immediate escalation
Fraud Risk	Fraud incidents	Zero tolerance	Immediate reporting

Risk Area	Metric	Risk Limit / Appetite	Escalation
IT / Cyber Risk	Material cyber incidents	Low tolerance	Immediate escalation

The limits shall be reviewed periodically and modified where required based on changes in business, regulation or risk profile.

17.8 Governance and Monitoring

The RMC shall monitor adherence to the Risk Appetite Statement and report significant deviations to the Board.

The Risk Appetite Statement shall be reviewed at least annually or earlier where there is:

- a material change in the business model;
- a material change in regulation;
- a material change in capital position;
- a material change in the risk profile; or
- any other circumstance requiring review.

Any future lending or borrowing activities shall be conducted within limits approved by the Board and in compliance with applicable regulatory requirements.

18. Review of Policy: -

The Policy is reviewed and recommended by the Risk Management Committee at its meeting held on 13th August,2026 , approved by Board of Directors at its meeting held on **13th August,2026**