

# RISK MANAGEMENT POLICY

(For Base Layer NBFC – Investment and Credit Company)

## 1. Preamble

This Risk Management Policy (“Policy”) is formulated in accordance with the provisions of the **Reserve Bank of India Act, 1934** and the **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions**, as amended from time to time.

**THIRUKOCHI FINCAP PRIVATE LIMITED** (“the Company”), being registered as an **NBFC – Investment and Credit Company (Base Layer)**, recognizes that effective risk management is critical to maintaining financial stability, regulatory compliance, and sustainable business growth.

## 2. Objective

The objectives of this Policy are to:

- Establish a structured framework for **identification, measurement, monitoring, and mitigation of risks**
- Ensure that risks undertaken are within the **Board-approved risk appetite**
- Protect the interests of stakeholders
- Ensure compliance with RBI regulations applicable to **NBFC-Base Layer**

## 3. Regulatory Framework

This Policy is aligned with:

- RBI Act, 1934
- **RBI Master Direction – NBFC (Scale Based Regulation)**
- RBI Directions on Prudential Norms (IRACP)
- RBI Master Direction on KYC
- RBI Fair Practices Code
- Any circulars, clarifications, or amendments issued by RBI from time to time

## 4. Scope and Applicability

This Policy applies to:

- All business activities, products, and processes of the Company
- All branches, offices, and digital platforms
- All directors, officers, employees, agents, and outsourced service providers

## 5. Governance Structure

### 5.1 Board of Directors

The Board of Directors shall have overall responsibility for:

- Approving the Risk Management Policy and any amendments thereto
- Defining and approving the **risk appetite** of the Company
- Ensuring adequate systems for identification, monitoring, and mitigation of risks
- Reviewing risk exposure and compliance reports periodically

### 5.2 Risk Management Committee (RMC)

#### 5.2.1 Constitution of the Risk Management Committee

In line with the RBI Master Directions for NBFCs under the Scale Based Regulation framework, the Company shall constitute a **Risk Management Committee (RMC)** to oversee risk management functions.

The RMC shall comprise the following members:

- Managing Director / Chief Executive Officer – **Chairperson**
- Chief Financial Officer (CFO)
- Head – Credit / Risk (or designated senior officer)
- Compliance Officer
- Any other senior official as may be decided by the Board

The Board may reconstitute the Committee from time to time based on the size, complexity, and business profile of the Company.

The composition and functioning of RMC shall be proportionate to the Company's size, complexity, and risk profile, in line with Base Layer NBFC requirements.

#### 5.2.2 Roles and Responsibilities of the Risk Management Committee

The Risk Management Committee shall be responsible for:

- Developing and overseeing the **risk management framework** of the Company
- Identifying and assessing various risks including:
  - Credit Risk
  - Liquidity Risk
  - Operational Risk
  - Market Risk
  - Compliance Risk
- Recommending **risk appetite and exposure limits** to the Board
- Monitoring asset quality, NPAs, provisioning, and concentration risk
- Reviewing liquidity position, ALM statements, and funding risks
- Monitoring operational and technology-related risks
- Reviewing stress testing and scenario analysis results

- Ensuring compliance with RBI directions and internal policies
- Placing periodic risk reports before the Board along with observations and corrective actions

### 5.2.3 Frequency of Meetings

- The Risk Management Committee shall meet **at least once in a quarter**
- Additional meetings may be convened as and when required due to:
  - Emerging risks
  - Regulatory changes
  - Significant deviations in risk exposure
- The minutes of the RMC meetings shall be **placed before the Board of Directors** for review and noting

## 6. Risk Appetite Framework

The Board shall define and approve the **risk appetite**, specifying acceptable levels of risk in:

- Credit exposure
- Asset quality
- Liquidity position
- Operational losses

Risk limits shall be reviewed periodically.

## 7. Types of Risks and Mitigation Framework

### 7.1 Credit Risk

**Definition:**

Risk of loss arising from a borrower's failure to meet repayment obligations.

**Risk Mitigation Measures:**

- Credit appraisal based on repayment capacity and due diligence
- Use of credit bureau reports
- Defined borrower and sectoral exposure limits
- Continuous monitoring of portfolio quality
- Early identification and management of NPAs
- Provisioning strictly as per RBI norms

### 7.2 Liquidity Risk

**Definition:**

Risk arising from inability to meet financial obligations as they fall due.

**Risk Mitigation Measures:**

- Regular monitoring of cash flows and maturity mismatches
- Maintenance of adequate liquidity buffers
- Contingency funding arrangements

- Prudent liability management

Liquidity risk management shall include monitoring of Structural Liquidity Statements and ALM returns as prescribed by RBI.

### 7.3 Operational Risk

**Definition:**

Risk of loss due to inadequate or failed internal processes, systems, people, or external events.

**Risk Mitigation Measures:**

- Robust internal control systems
- Segregation of duties
- Periodic internal audits
- IT and cyber-security safeguards
- Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

### 7.4 Market Risk

**Definition:**

Risk of loss due to changes in market variables such as interest rates.

**Risk Mitigation Measures:**

- Monitoring interest rate mismatches
- Asset-Liability Management (ALM) oversight
- Conservative investment approach in permitted instruments

### 7.5 Compliance Risk

**Definition:**

Risk of regulatory or legal sanctions arising from non-compliance.

**Risk Mitigation Measures:**

- Ongoing monitoring of RBI circulars and directions
- Compliance checks and internal audits
- Timely regulatory reporting

## 8. Risk Monitoring and Reporting

- Key Risk Indicators (KRIs) shall be identified and monitored
- Risk reports covering credit quality, NPAs, liquidity position, and operational issues shall be presented to the Board periodically
- Material deviations shall be escalated immediately

## 9. Stress Testing and Scenario Analysis

- Periodic stress testing shall be conducted to assess resilience under adverse scenarios
- Scenario analysis shall cover credit stress, liquidity stress, and interest rate shocks
- Stress testing shall be proportionate and documented, with results placed before the Board.

## 10. Capital Adequacy and Provisioning

- The Company shall maintain capital adequacy as prescribed by RBI
- Adequate provisions shall be made for NPAs and other risk exposures
- Capital planning shall consider growth and risk profile

## 11. Internal Audit and Controls

- Internal audit shall periodically assess the effectiveness of the risk management framework
- Audit findings shall be placed before the Board along with corrective action plans

## 12. Training and Risk Culture

- Employees shall be trained on risk awareness and regulatory compliance
- A culture of prudent risk-taking and ethical conduct shall be promoted

## 13. Review and Amendment

This Policy shall be:

- Reviewed at least **annually**, or earlier if required
- Updated in line with regulatory or business changes
- Any amendment shall require **Board approval**

## 14. Approval

This Risk Management Policy has been approved by the **Board of Directors of THIRUKOCHI FINCAP PRIVATE LIMITED** at its meeting held on **16/02/2026**

**Effective Date: 16/02/2026**