ADVENTZ SECURITIES ENTERPRISES LIMITED
RISK MANAGEMENT POLICY

(Reviewed and updated to align with the RBI Scale Based Regulation / Governance / Concentration Risk Management Directions and SEBI (LODR) Regulations, as amended)

PURPOSE

Non-Banking Financial Companies (NBFCs) form an integral part of the Indian financial system and are required to put in place a Board-approved policy framework on Risk Management. Risk Management is achieved through a suitable set of controls in policy and in practice, comprising policies, standards, guidelines, procedures, technologies and processes to identify, assess, monitor and mitigate risks. The Audit Committee/Risk Management Committee is responsible for the establishment of this Risk Management Policy in consultation with the Board of Directors.

This Policy sets out the framework for the Company to maintain and ensure ongoing compliance with sound risk management practices and risk tolerance levels established by the Board, commensurate with the size, scale and nature of the Company's operations. This Policy has been prepared and updated in line with the applicable directions issued by the Reserve Bank of India ("RBI") for Non-Banking Financial Company – Middle Layer ("NBFC-ML") and, to the extent applicable, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), each as amended from time to time.

SCOPE/APPLICABILITY

This Policy applies to all employees and associates of the Company, and to all users, information systems and paper files at the Company and at approved third-party facilities. The Company is a Non-Deposit taking NBFC engaged in investment activity, with a limited and identified lending relationship confined to body corporates within, and identified entities. The Company is classified as an NBFC-Middle Layer on account of its parent company being classified as a Middle Layer entity, in terms of the group principle under the RBI's Scale Based Regulation framework, and is regulated accordingly.

REGULATORY FRAMEWORK AND KEY DIRECTIONS/CIRCULARS CONSIDERED

This Policy has been updated with reference to, and shall be read together with, the following (as amended/updated from time to time):

- Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 (effective November 28, 2025), which consolidates and replaces the erstwhile Master Direction – RBI (NBFC – Scale Based Regulation) Directions, 2023 and sets out the four-layered (Base/Middle/Upper/Top) regulatory structure applicable to NBFCs.
- Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025 (effective November 28, 2025), which mandate, inter-alia, a Board or executive-level Risk Management Committee, an Audit Committee, a Nomination and Remuneration Committee, a Chief Compliance Officer, and (subject to asset-size thresholds) a Chief Risk Officer.
- Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Directions, 2025 (effective November 28, 2025, as amended), prescribing Board-approved single-party and group exposure limits and sensitive-sector-exposure limits applicable to NBFCs-Middle Layer.
- Master Directions on Fraud Risk Management in Non-Banking Financial Companies (including Housing Finance Companies) dated July 15, 2024, requiring a Board-level Special Committee (or,

for Middle/Base Layer NBFCs, a Committee of Executives) for monitoring fraud risk, together with an Early Warning Signals framework.

- Any other applicable Master Directions/circulars issued by RBI from time to time in relation to Fair Practices Code, IT Governance, Outsourcing of Financial Services and KYC/AML, to the extent relevant to the Company's activities.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by the SEBI (LODR) (Amendment) Regulations, 2025 and the SEBI (LODR) (Amendment) Regulations, 2026, including the framework for High Value Debt Listed Entities ("HVDLE") under Regulation 15(1A)/Chapter V-A and the Risk Management Committee requirement under Regulation 21, to the extent the Company's listed securities (if any) trigger applicability.

Note: This Policy will be updated to reflect further amendments, circulars or directions issued by RBI/SEBI subsequent to the date of this review, as and when notified.

GENERAL PROVISIONS

This Policy represents the basic standards of risk assessment to be followed by the Company. Changes to this Policy shall become effective upon approval of the Board of Directors. All relevant employees must be familiar with, and make use of, this Policy.

POLICY STATEMENT

Risk assessment is the process of identifying, assessing and prioritising risks. A formal risk assessment shall be performed at least annually to identify threats/risks to the Company, determine the likelihood of such threats occurring, and recommend safeguards to reduce both the likelihood and impact of the risks identified.

The Company's goal is that risks are identified, documented, understood and managed within tolerances established by the Board/Risk Management Committee. Risk-acceptance decisions shall be consistent with strategic business objectives and shall be explicit and communicated such that the expected return compensates for the risk involved.

Where an accepted risk cannot be adequately mitigated, the concerned risk owner may seek a "Management Risk Acceptance Memorandum", documenting the business justification for the increased risk/exposure to the Company.

GOVERNANCE STRUCTURE – RISK MANAGEMENT COMMITTEE

In line with the RBI (Non-Banking Financial Companies – Governance) Directions, 2025, the Company shall maintain a Risk Management Committee ("RMC"), at the Board or executive level, responsible for identifying, evaluating and monitoring the overall risks faced by the Company, including credit, concentration, liquidity, operational and compliance risk, and for reporting to the Board. Given the Company's limited scale and the nature of its operations, the functions otherwise performed by a dedicated Chief Financial Officer are presently discharged by the RMC/Audit Committee in consultation with the Board; the Company shall appoint a whole-time Chief Risk Officer if and when its asset size meets or exceeds the threshold prescribed under the applicable RBI Directions, or if otherwise required by RBI.

The RMC shall meet at least twice a year (or more frequently as the Board may decide) and shall place its findings before the Audit Committee and the Board.

RISK MANAGEMENT PROCESS

The approach for risk assessment involves the following steps:

1. Define the risk measurement scale for the Company.
2. Identify and assess operational and other risks.
3. Measure risk as per the measurement scale approved by senior management/the RMC.
4. Prioritise risks: prioritised risks to be reviewed by the Audit Committee/RMC of the Board; mitigation strategies to be documented and monitored periodically by management.
5. Monitor risk: a management process for bi-annual evaluation of key risks in light of internal and external business changes, involving (i) establishing key risk indicators/metrics, identifying critical data points, collating data and analysing thresholds; (ii) assessing the adequacy and operating effectiveness of mitigating controls; (iii) periodic review of the risk register by respective functions; and (iv) periodic review of the risk register/monitoring system by an outside agency, where considered necessary.
6. The outcome of risk reviews shall be periodically reviewed by the Risk Management Committee and reported to the Board of Directors and the Audit Committee.

RISK IDENTIFICATION PROCESS

Risk management is a business facilitator that enables more informed decisions on a balanced risk-reward basis. The Company shall follow a disciplined risk management process, identifying risks with reference to the market in which it operates, the legal, social, political and cultural environment, and its strategic and operational objectives.

The main risks associated with the Company's business as a Non-Deposit taking NBFC-ML engaged in investment and limited, group-linked lending activity are:

1. Market Risk
2. Asset Health Risk
3. Legal Non-Compliance / Regulatory Risk
4. Operational Risk
5. Investment Risk
6. Efficiency Risk
7. Profit Risk
8. Credit Risk

1. MARKET RISK

This is largely an external, systematic risk giving rise to liquidity risk, interest rate risk and funding risk, which affects all securities/investments in a similar manner and cannot be controlled through diversification alone. The Company shall adopt suitable measures to manage such risk, having regard to prevailing market trends.

2. ASSET HEALTH RISK

The assets comprising the Company's investment portfolio carry an inherent risk of becoming non-performing or slow-performing over time. These risks are understood and managed to ensure cost-effective continuity of business.

3. LEGAL NON-COMPLIANCE / REGULATORY RISK

Non-compliance with applicable law leads to complications, delays and potential loss, and may attract supervisory action. The Company shall endeavour to remain compliant with all applicable RBI, SEBI, company law and other regulatory requirements pertaining to its business.

4. OPERATIONAL RISK

Any loss arising from people, technology, infrastructure or external factors is termed Operational Risk. The persons responsible shall keep continuous watch for warning signals to manage this risk, including risk of fraud, for which the Company shall follow the governance structure (Special Committee/Committee of Executives and Early Warning Signals framework) required under the RBI Master Directions on Fraud Risk Management in NBFCs.

5. INVESTMENT RISK

Investment risk is the probability of loss relative to the expected return on an investment. The Company shall set internal levels and controls defining the risk associated with a particular investment/asset class, correlated with the expected return.

6. EFFICIENCY RISK

Risk-efficiency criteria seek to reduce the universe of possible alternatives to a smaller set of risk-adjusted alternatives containing the optimum choice.

7. PROFIT RISK

Profit risk refers to concentration of the Company's income, limiting its ability to grow earnings and increasing the potential for future earnings loss. The Company shall work towards a balanced profit ratio in conjunction with mitigation of other risk factors.

8. REDIT RISK

This is the possibility that a particular instrument/borrower will not make expected interest and/or principal payments. Given the Company's limited and identified borrower base, credit risk shall be monitored closely in conjunction with concentration risk.

RISK MITIGATION

- Risk shall be managed using a defined set of norms and policies, with clear roles and responsibilities for originators and approvers. All credit/investment exposure limits shall be approved by authorised persons.
- There shall be a structured and standardised approval process to assess the worthiness of each investment/exposure, including exposures to parent/related entities, consistent with the Company's related-party transaction framework.
- The Company shall use an internal risk evaluation process to make credit decisions more robust and to manage collateral risk.
- The Company shall periodically revisit its credit policy and processes based on experience and feedback, and in light of updates to applicable RBI directions.

FRAUD RISK MANAGEMENT

In line with the Master Directions on Fraud Risk Management in Non-Banking Financial Companies (including Housing Finance Companies) dated July 15, 2024, the Company (being in the Middle Layer) shall constitute a Committee of Executives (in lieu of a full Special Committee of the Board, as permitted for Middle/Base Layer NBFCs) comprising at least three members, including at least one whole-time director or official of equivalent rank, to oversee fraud risk management, review Early Warning Signals, and report material matters to the Audit Committee/Board.

PROCESS FOR ANALYSIS OF IDENTIFIED RISKS

The key step is to chart out the objectives of the risk management process, understanding the nature of risk and its associated internal/external factors.

External risks are those beyond the Company's control, including (illustratively):

- Slowdown in economic growth of the country
- Fluctuations in foreign currency exchange rates
- Threats to business continuity from disasters, civil unrest or natural calamities
- Unfavourable changes in government/regulatory policy, including changes in RBI/SEBI directions affecting NBFCs

Internal risks involve an inability to perform despite favourable market conditions, and are assessed through the risk registers referred to below.

RISK ANALYSIS

Risks identified are displayed in a structured format by the Audit Committee/RMC, which facilitates the Board's understanding of the description and assessment of risks. The maintenance of risk analysis reports is the responsibility of the Audit function, updated/reviewed on inputs from divisional heads.

The Company maintains a Risk Framework and Risk Registers. Each risk identified is classified as a Key Risk or Non-Key Risk based on the following risk measurement scale (to be modified periodically and pre-approved by the Risk Management Committee):

IMPACT	**INSIGNIFICANT**	**MINOR**	**MODERATE**	**MAJOR**	**SEVERE**
Strategic – Investment Services & Loans and Advances					
Impact on Profit	<1%	>5%	>10%	>20%	>40%
Impact on operational Income	<1%	>5%	>10%	>20%	>40%
Considered on basis of Average Projected Profit of the Company, as per the latest audited financial statements.					
Market Risk					
Global Causes	-	-	-	-	Any instance of movement in inter-bank interest rates and/or other factors adversely affecting the investment market in India

Political / Policy Changes	-	-	-	-	Turbulence in the political scenario of India that could bring about major policy changes
Asset Health Risk & Investment Risk					
Principal Overdue	-	30 days	31-60 days	61-90 days	> 90 days and after several reminders
Interest Overdue	-	10 days	31-60 days	60-90 days	> 90 days – to be classified and provided for as NPA in line with the applicable RBI asset classification norms
Market Traded Securities	-	<5%	<10-20%	<20-25%	Fall in returns of 25% or more for individual securities to be treated as a severe risk
Legal Non-Compliance / Regulatory Risk					
Non-compliance with RBI, NBFC Directions, ROC filings	NA	Follow-up with Department/Divisional Heads	Arbitration and/or settlement involving minor penalties	Involvement of judicial and quasi-judicial bodies	Any involvement of Management/KMP directly, likely to lead to prosecution/monetary penalties or supervisory action by RBI
Compliance with guidelines of any other statutory/regulatory body (incl. SEBI, where applicable)	NA	-	-	-	Any involvement of Management/KMP directly, likely to lead to prosecution/penalties

All risks are reviewed by the Audit Committee/Board and ratings are decided by consensus; in case of conflict, the final rating is decided by majority vote.

The Company shall also use SWOT analysis, a structured planning method to evaluate strengths, weaknesses, opportunities and threats relevant to its present and future business. The SWOT matrix shall be reviewed annually:

INTERNAL		**EXTERNAL**	
Strengths	Board-approved risk, concentration and governance framework aligned to the RBI Governance and Scale Based Regulation Directions; limited and identified borrower base (body corporates/group	**Opportunities**	Continued support from, and synergies with, the parent/group; scope to formalise processes as RBI/SEBI norms evolve, strengthening credibility with

	entities) enabling closer monitoring; experienced Board with a director having relevant bank/NBFC exposure.		lenders, rating agencies and investors.
Weaknesses	Limited scale and product diversification; concentration risk inherent in a narrow, group-linked borrower base; reliance on Group companies for certain support functions.	**Threats**	Frequent changes in RBI/SEBI regulations increasing compliance obligations; sudden regulatory or policy changes affecting NBFCs or group-lending norms; general market/economic volatility.

The above matrix represents a broad base of SWOT characteristics; it shall be reviewed annually by the Audit Committee/RMC to reflect more specific, current characteristics.

RISK EVALUATION

Once risk analysis is complete, estimated risks are compared against risk criteria established by the Company, including associated costs and benefits, legal requirements, socio-economic factors and stakeholder concerns, to decide on the significance of risks to the organisation. A person is assigned against each risk for monitoring and mitigation, and management identifies the way forward/control measures to mitigate the risk.

RISK TREATMENT

Risk treatment involves selecting and implementing measures to modify/reduce risk, which may include:

- Accept: proceeding with the existing risk where it is governed by external factors outside the Company's control, or where the cost of mitigation exceeds the risk's impact.
- Transfer: transferring the risk to a third party, including through insurance cover, where appropriate.
- Reduce: drafting a mitigation plan to reduce the impact of the risk on the organisation.

RISK REPORTING AND COMMUNICATION

- Internal Audit shall focus on key risk areas.
- Based on inputs from internal auditors, key risks shall be discussed by the Risk Management Committee.
- Following such discussion, key risks shall be presented to the Audit Committee and the Board (as needed), together with the status of concentration limits, fraud risk indicators and material regulatory/compliance developments.

POLICY REVIEW AND UPDATION

This Policy shall be reviewed by the Risk Management Committee/Audit Committee and placed before the Board at least once in every two year, or earlier if warranted by a material change in the Company's risk profile or by new/amended directions, circulars or regulations issued by RBI or SEBI, and shall be updated accordingly.