PAISALO DIGITAL LIMITED
Formerly Known as S. E. Investments Limited
Reg. Off.: 101 CSC Pocket-52, CR Park
Near Police Station, New Delhi -110019
CIN: L65921DL1992PLC120483

RISK MANAGEMENT POLICY

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[Pursuant to Regulation 17(9) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 read with provisions of Section 134 (3) and 177(4) of Companies Act, 2013]

"Risks are those events with the potential to have a significant negative impact on the organisation and Risk Management is a set of activities to mitigate the impact of certain risks and to ensure the best possible outcome after the event and/or achieve the most predictable consequences."

1. Background and Legal Framework

The Oxford English dictionary defines the term Risk as 'a chance or possibility of danger, loss, injury or other adverse consequences'. Risk in an organisational context is usually defined as anything that have negative impact on fulfilment of corporate objectives or can also be defined as the chances of something happening or not happening that will have an influence upon the achievement of the business objectives.

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

A strategic focus, active approach and forward thinking of management and a system of setting of priorities to use of limited resources are the important requisites for effective risk management.

The Company **Paisalo Digital Limited** being a Non-Banking Finance Company carry various internal and external risks and in today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: regulations, competition, business environment, technology, investments, return on investments, business cycle, increase in costs, limited resources, retention of talent and business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk etc.

For managing risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the Company would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

Regulation 17(9) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and Section 134 (3) and 177(4)Companies Act, 2013provides provisions for Risk Management Policy, procedures and practices. Apart from legal requirement for risk management policy, Risk Management is also a key aspect of Corporate Governance Principles and Code of Conduct which aim to improvise the governances practices across the business activities of the Company.

The Provisions of Section 134(3) of the Companies Act, 2013 provides thatthe Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements risk, if any, which in the opinion of the Board may threaten the existence of the Company.

And, the provisions of Section 177(4) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evolution of risk management.

Further, regulation 17(9) of SEBI(LODR) Regulations, 2015 also provides that the listed entity shall lay down procedures to inform members of the Board of Directors about Risk Management and Minimization procedures of risk. The Board of Directors shall be responsible for framing, implementing and monitoring the Risk Management Plan for the listed entity.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" of the Company.

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2. Definitions

"Act" means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.

"Board" means the Board of Directors of the Company or its Committee.

"Company" means Paisalo Digital Limited (Erstwhile Known as S. E. Investments Limited).

"Policy" or "this Policy" means Risk Management Policy.

"Regulations" or "**SEBI (LODR) Regulations, 2015"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015

"Risk Management Process" means the steps that need to take to identify, monitor and control risk.

All other words, terms and expressions used but not defined in this policy, shall have the same meaning as respectively assigned to them in SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 or rules and regulations made thereunder, or any statutory modification or re-enactment thereto, as the case may be.

3. Objective, Purpose and Scope

The main objective of this policy is to ensure sustainable business growth with stability and promote a proactive approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objectives, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

- ✓ To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- ✓ To establish a framework for the Company's risk management process and to ensure its implementation.
- ✓ To enable compliance with appropriate regulations, wherever applicable, through the adoption of the best practices.
- ✓ To assure business growth with financial stability.

4. Risk Factors

The Company is subject to a variety of external and internal risks in the course of its operations which includes:

- ➢ External Risk Factors
  - Economic Environment and Market Conditions
  - Political Environment
  - Competition from local and multinational players
  - Liquidity aspects

  - Inflation and Cost Structure
  - Technology Obsolescence
  - Frequent changes in regulatory framework

- Internal Risk Factors
  - Interest rates risk
  - Non-Recovery of funds from its customers
  - Fraud risk
  - Transaction risk
  - Loss of critical documents
  - Contractual Compliance
  - Operational Efficiency
  - Human Resource Management
  - Culture and Values

5. Risk Management through various Committees

Inline with better corporate governance; effective risk management system and subject to provisions of applicable laws the Board of Directors of the Company may constitute following committees:

- Audit Committee
- Risk Management Committee
- Asset Liability Management Committee

Terms of reference of Committees inter alia includes following terms in relation to risk management:

<u>Audit Committee</u>:

- Evaluation of internal financial controls and risk management systems.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

<u>Risk Management Committee:</u>

- Review and approve the frameworks, process and practices of the Company related to risk management.
- Committee shall ensure that Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.

- Evaluation of significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing actives such as business continuity planning and disaster recovery planning & testing).

- Risk Management Committee will 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).

- Risk Management Committee shall set internal process and systems to control the implementation of action plans.

- Risk Management Committee shall make required report/recommendations to the Board of the Directors.

<u>Asset Liability Management Committee</u>

- The committee primarily performs the role of Risk Management in pursuance of the Risk Management guidelines issued periodically by RBI and the Board. The Committee addresses the issues related to interest rate and liquidity risks.

6. Role of the Board of Directors

The Board of Directors of the Company shall discharge its roles and responsibilities in following manner to manage risk appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan of the Company.

- The Board shall define the roles and responsibilities of the Committees and may delegate monitoring and reviewing risk management plan to the Committee(s) and such other functions as it may deem fit.

- The Board shall ensure that the appropriate systems for management are in place.
- The independent directors shall help in bringing an independent judgement to bear on the Board's deliberations on issue of risk management and satisfy themselves that the systems of risk management are robust and defensible; participation in major decisions affecting the company's risk profile,

- Board shall ensure that an appropriate accountability framework is working in risk management system of the Company.

- Board shall constitute committees that are deemed necessary to manage and control the risk adequately.

- Board shall ensure that risk management is integrated into Board Reporting and annual reporting mechanism.

7. Responsibility for Risk Management

Every staff member of the Company have the responsibility for effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk Management process should be integrated with the other planning process and management activities in the Company.

8. Compliance and Control

All the Senior Executives under the guidance of Board and Committees has the responsibility for over viewing management's process and results in identifying, assessing and monitoring risk associated with the Company's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control.

9. Review and Amendment

This policy shall evolve by review and amendments by Risk Management Committee, Audit Committee, ALCO Committee and the Board from time to time as may be necessary.