Nuvama Wealth Finance Limited

RISK MANAGEMENT POLICY

Version – 5.0

July 28, 2026

Last Version	Updation Date	Owner
Risk Management_V.1.1	October 2021	Risk Team
Risk Management_V.2.0	April 2022	Risk Team
Risk Management_V.3.0	July 2024	Risk Team
Risk Management_V.4.0	July 2025	Risk Team
Risk Management_V.5.0	July 2026	Risk Team

Document Control

Item	Description
Document Title	RISK MANAGEMENT POLICY
Document Classification	**Regulatory**
Document Owner	Credit Risk Team
Document Maker	Priyanka Gupta-Credit Risk Team
Document Checker	Sarvottam Agrawal- CRO
Approved Authority and Year	Board Meeting, July 28, 2026

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1. Background

The Company is a wholly owned subsidiary of Nuvama Wealth Management Limited and a part of the Nuvama Wealth Management (NWM) business. The Company is registered as a Non-Banking Financial Company not accepting public deposits with the Reserve Bank of India. The Company's products and services span multiple asset classes and consumer segments.

The Company's key line of businesses can be classified into - Advancing loans against securities; ESOP financing; Special Situation Financing; Providing Unsecured Loan and Investment in Securities. Given the diversity of businesses, the Company is exposed to various risks like Credit Risk, Market Risk, Liquidity Risk, Compliance Risk, Technology Risk, amongst others.

For the Company, Risk Management is a discipline that forms its core and encompasses all the activities that affect the Company's risk profile. It involves identification, measurement, monitoring and controlling risks to ensure that:

a. The individuals that have key decision-making authorities clearly understand the risks involved.
b. The Company's risk exposure is within the limits established by the Regulator and the Board of Directors.
c. Key decisions are in line with the business strategy and objectives set by the Board.
d. Sufficient capital available, at all times.
e. There is a continuous monitoring process that evaluates and controls the risks.

The acceptance and management of various risks is inherent to the Company's business and its role as a financial intermediary.

2. Regulatory and Statutory Reference

Section 134 (3) of the Companies Act, 2013, requires Companies to include in their Board's Report, a Statement indicating development and implementation of a Risk Management Policy for the Company, including identification therein of elements of risk, if any, which, in the opinion of the Board, may threaten the existence of the Company.

Furthermore, Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations"), requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing, and monitoring the risk management plan of the Company.

3. Purpose

The purpose of this document is to encapsulate the Risk Management Policy of Nuvama Wealth Finance Limited (‘**the Company’/ ‘NWFL’**) towards risk management and the guidelines and procedures to be followed by the Risk Management department to achieve the following objectives:

a. To enumerate the key risks in the business and lay down steps on how they are managed and mitigated.
b. To define a clear and simple procedure for risk management relating to equity and derivative trades.
c. To ensure consistency, uniformity, zero errors and transparency in various risk related activities.
d. To assist in faster turnaround time thereby ensuring higher customer satisfaction and higher revenues.

The Company’s philosophy is that Risk Management is an “individual and collective responsibility” and each employee should believe in “owning the risk”.

Each employee is guided by a common vision and values that define the Company. “We will respect risk” has been key Guiding Principle to ensure Risk Management is embedded in the culture of the Company.

NWFL recognizes that Risk management as one of the key drivers of growth and further to enhance corporate governance. Accordingly, the Board has framed the following Risk Management Policy:

- ✓ To continuously thrive for available risks in the organization which directly or indirectly effect the functioning of the organization.
- ✓ To ensure the protection of rights & values of Shareholders by establishing a well-organized Risk Management Framework.
- ✓ Selecting, maintaining and enhancing the risk management tools used by the Program to provide analyses that inform and support the investment actions of the entire Organization.

4. Risk Management Strategy

The Company's risk management strategy starts with evaluating all the decisions based on the following two questions that we put to ourselves:

"Is it worth it?" and "Can we afford it?"

The strategy at an execution level is supported by -

- Multi-tiered risk management structure to manage and oversee risks
- Risk Management framework to ensure each risk the Company is exposed to is given due importance and is effectively managed
- Defined exposure limits and thresholds for businesses to operate
- Well-defined Standard Operating Procedures to ensure risks are mitigated at operational level
- Adequate segregation of duties to ensure multi-layered checks and balances
- Exception reporting culture to ensure process and policy deviations are adequately addressed

5. Risk Management Structure

To support the risk strategy and effective risk management, the Company has a **"Multi-tiered risk management structure"** in place. The risk structure is enumerated below:

- **Three lines of defence -** for accountability, oversight, and assurance
- **Risk Department** – owns and manages the risks and are responsible for implementation of the risk management framework
- **CRO + CEO** – is responsible for risk culture and risk aggregation, monitoring, oversight, provide assurance on effective risk management
- **Board of Directors and Risk Committees** – for overseeing the effective risk management across the business of the Company, the current governance structure is set out below:
  - Investment Committee
  - Credit Committee
  - Risk Management Committee of Board of Directors
  - Asset Liability Committee (ALCO)
  - Board of Directors

6. Roles and Responsibility

Risk Team

Risk team is the key line of defense and is independent from business. The following are its roles and responsibilities:

- Implementation of risk framework for specific businesses
- Defining risk policies and limits for various products
- Continuous monitoring of risks and ensure adherence to policies
- Risk aggregation and monitoring
- Risk culture
- Oversight and assurance on effective risk management

Board and Risk Committees

The Board and the Risk Committees serve as the key risk bodies of the Company which comprises of the following Committees:

Credit Committee

The Credit Committee takes all relevant credit related decisions. These are business specific committees with defined parameters ala participation quorum, exposure and thresholds.

Investment Committee

The Investment Committee takes all relevant investment related decisions. These are business specific committees with defined parameters ala participation quorum, exposure and thresholds.

The Risk Management Committee

The Risk Management Committee is the overseeing body for Risk Management at the Board level and meets atleast on a quarterly basis.

Asset Liability Committee (ALCO)

The Asset Liability Committee overview the structure of asset liabilities and to oversee that there is no mismatch in liquidity profile at different maturity buckets.

Composition of various committees is given in Annexure 6

Terms of Reference of the Risk Management Committee

The Risk Management Committee shall have the following Terms of Reference:

a. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
b. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
c. To approve and review compliance with risk policies, monitor breaches / triggers of risk tolerance limits and direct action.
d. The appointment, removal, and terms of remuneration of the Chief Risk Officer (if any) shall

be subject to review by the Risk Management Committee.

e. To coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.
f. To assist the Board of Directors in its oversight of various risks informed about the nature and

content of its discussions, recommendations and actions to be taken.

g. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

Oversight by the Board of Directors

The primary role of the Board of Directors will be to have a Risk Oversight of management and corporate issues that affect Risk. The Board can fulfil the role of Risk Oversight by:

a. Developing Policies and Procedures around risk that are consistent with the Company's strategy;
b. Take steps to foster risk awareness;
c. Encourage a culture of Risk adjusting awareness.

Role of Risk Management Department

The Company has a Risk Management department to assist in day to day monitoring of Risks.

The Risk Management Department shall be primarily responsible for:

a. Assisting in development of and manage processes to identify and evaluate business areas risk and risk and control self-assessments.
b. Ensuring implementation of Risk Management Framework across business lines.

Role of Chief Risk Officer

- Identification of risk points in the organization and assessing or measuring their impact on the business.
- Formulation of Risk Management Policies.
- Devising strategies for controls and mitigation of risks.
- Reports to Top Management, Risk Management Committee and Board of Directors on risk matters.
- Vetting of product policies from risk perspective.
- Vetting credit proposals in risk angle.
- Part of credit approval process.

Role of Asset Liability Committee (ALCO)

- Developing an Asset Liability management process and related procedures;
- Developing Asset Liability management strategies and processes
- Submitting the returns on Asset-Liability Management to the Board on quarterly basis;
- Financial Statements, Balance Sheet, etc. planning from risk return perspective including the strategic management of interest rate and liquidity risks,
- Designing and overseeing the maintenance of a management information system that supplies, on a timely basis, the information and data necessary, including liquidity position of the NBFC and the Group, for the Committee to fulfill its role as Asset Liability manager of the institution
- Review on status of back testing of projected cash-flows with actuals

- Review stress test scenarios including the assumptions and results
- Review and approve the capital allocation methodology and resource mobilization policy and plan
- In respect of liquidity risk areas of review would include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions.

7. Risk Management Framework

The Company has adopted the following "Key Risk Framework" in line with its strategy and external environment:

Business Risk

Business risk is defined as potential of value erosion because of failure of strategy, execution or adverse change in environment and it includes strategy/execution risk and external environment risks.

Credit Risk

Credit risk is defined as the risk of loss arising due to current/potential inability or unwillingness of a customer or counterparty to meet financial / contractual obligations. It includes Credit Quality, Collateral and Cash Flow risks as its principal categories.

Market Risk

Market risk is defined as the risk of loss in trading books resulting from adverse movements in market variables and instruments. It includes Underlying Price risk, Volatility risk and Impact Cost risk as its principal categories.

Liquidity Risk

Liquidity risk is defined as the risk of not being able to meet financial obligations and it includes Asset Liquidity risk and Liability refinancing risk as its principal categories.

Regulatory Risk

Regulatory risk is defined as the risk of not adhering to the letter and spirit of laws and regulations leading to fines or other penal action. It includes Legal, Governance, Vigilance, Fiduciary and data integrity as its principal categories.

Reputation Risk

Reputation risk is defined as the risk arising from negative perception about the Group on the part of stakeholders that can adversely affect the ability to maintain existing or establish new business relationships.

Technology Risk

Technology risk is defined as the risk of loss due to technology failures such as information security incidents or service outrages that can disrupt business. It includes Cyber Security Risk, Resilience, Scalability and Project risks as its principal categories.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed processes, system controls or human negligence. It includes process risk, human error, system error and outsourcing risks as its principal categories.

Fraud Risk

Fraud risk is defined as the activities undertaken by an external/internal individual or entity that are done in a dishonest or illegal manner and is designed to give an advantage to the perpetrating internal/external individual or entity. It includes Employee Fraud, Customer Fraud and Third-Party Fraud as its principal categories.

People Risk

People risk is defined as the risk that will arise as a consequence of not having the right people with the right skills/competencies at the right time to deliver business strategies aligned for current and future growth as per the organizations, values, work ethics and culture. It includes talent and availability, people capability, ethics, and culture as its principal categories.

Physical and Infrastructure Risk

Physical and Infrastructure risk is defined as the risk of loss due to failures and/ or disruption of basic services, infrastructure, and facilities on account of natural calamity or manmade disaster, including safety of employees. It includes Safety of Employees and Damage to Physical Assets as its principal categories.

8. Risk Management Process

Risk Management is an essential component of our daily business activities. Hence, the Company has adopted an effective risk management process to ensure all key risks are identified.

The Company has adopted both top to bottom and bottom to top approach for risk identification -

- **Top to bottom approach** - Discussions, surveys, and interview sessions with the Senior Management
- **Bottom to top approach** - Process reviews, incident reporting and other meetings and discussions at execution and mid management level.

Risk events pass through the risk management lifecycle covering assess, avoid, mitigate, and manage. Details mentioned below:

Assess

Risk events identified are assessed at an inherent risk. Depending upon the criticality and impact is classified as High, Medium, and Low. The impact assessment will consider various factors like financial impact, regulatory impact, reputation impact etc. and may vary from business to business.

Avoid

The Company avoids risks which are not in alignment to its risk philosophy. For example:

- **Financial risks** – The Company avoids taking exposures in the individuals and companies who are in the negative list. The negative list will comprise of companies and individuals who are in regulatory debarred list, internal or external defaulter list and/or involved in fraudulent activities etc. The list is updated on a periodic basis.

- **Non-financial risks** – The Company avoid dealings which are in violation to laws of the land both in letter and spirit and detrimental to its reputation

Mitigate

Depending upon type of risk and its quantum, the Company uses different types of tools and techniques for mitigating risk viz Governing Controls, Preventive Controls & Detective Controls. For example:

- **Financial risks** are mitigated through counterparty/client assessment before any exposure is taken, and defined product/program level risk limits to ensure exposure does not exceed risk appetite.

- **Non-financial risks** viz technology, operational, fraud etc. is mitigated through process documentation defining clear ownership for each activity, having adequate system/process level controls like maker-checker, reconciliation, testing and reviews.

- **Enterprise level risks** viz. technology, compliance, regulatory, etc is controlled through policies and framework, educating employees through trainings and risk socialization sessions.

Manage

The Company ensures there is adequate reporting and escalation mechanism put in place to ensure risks events which get materialized or have the high possibility of getting materialized are effectively managed and in a time bound manner, so that the impact can be curtailed.

To ensure effective management of risk events, the Company performs daily monitoring of various risk exposures so that necessary actions can be taken as per need. Also, breaches to the process and policies are monitored in the form of exceptions. The monitoring is across levels ala client, product under all risk scenarios.

Concentration Risk

- Concentration risk can result in significant losses because these exposures are affected by changes in similar risk factors and any adverse movement in underlying factors would impact a large portfolio. The effective monitoring measurement and management of concentration risk by NWFL is, therefore, of fundamental importance.
- NWFL will follow the prudential limits in respect of risk concentrations as per the relevant policy/guidelines, where exposure to single borrower, group of borrowers etc. have been property laid down. The company will monitor all large exposures.
- NWFL will control and limit concentration risk by means of appropriate structural limits and borrower/investment limits based on creditworthiness. These include large exposures to individual counterparty or related entities.

9. Risk Assessment and Mitigations

Framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability, information, cyber security risks or any other risk as may be determined by the Committee.

Sr.	Risk Type	Risk Involved	Mitigation Measures
A	**Markets Risk**		
A.1	Volatility Risk (Mark to market risk)	• Scrip is hitting lower circuit and Risk is not able to liquidate the positions in case of margin Call • Reduction in exchange volume due to change in security group, changes in price bands / circuit filters etc. Market Gap opening due to adverse news e.g. macro/micro economic factors, global Market impact etc. • Market circuit breaker hitting at prescribed levels and trading is halted • Scrip specific sharp movement due to adverse news, weak financial reporting, etc.	• Upfront margin will be collected from the customer as per policy and margin coverage ratio is tracked against outstanding positions. Secondly, the margins are being collected in cash and/or approved securities form. Securities are subject to hair cut policy, thereby facilitating dual buffer for market volatility. If the customer margin erodes below the threshold level and if customer fails to top up the requisite margin, then positions/collaterals are liquidated to bring the margin to requisite level.
A.2	Liquidity Risk or Loss due to concentration of Funding to borrowers in specific scrip, illiquid scrip and sudden fall.	• Reduction in exchange volume due to any reason (e.g. change in security group, changes in price bands/circuit filters, adverse news etc.) • Scrip frozen due to freeze in trading in the securities on account of lower circuit breaker and Risk is not able to liquidate the collateral in case of margin call	• Apart from mitigation measures mentioned in point A.1 above; the scrip level restriction are prescribed and there by funding against illiquid scrips are controlled. • Timely collection of margin call is ensured else collateral is liquidated and thereby risk is reduced to large extent.
A.3	Loss due to delay in Risk action	• Customer default / disputes	• Credit risk team is facilitated with real time market monitoring system to enable quick decision making.
A.4	Loss in investment portfolio due to event risk	• Price fall in existing investments due to adverse impact of events	• Events are tracked actively by both business and risk to keep book exposure under control. • We only deal in high quality securities
B	**Credit Risk:**		

B.1	Customer Default Risk	• Inherent risk profile of the customer • Customer fails to top-up the margin call in time (including due to cheque bounces etc.) • Margin reaches below threshold level	• The customer would be subject to appropriate KYC requirements. • Customer also needs to maintain adequate margin and if margin reduces below threshold level then collateral is liquidated. • The margin taken for securities provides adequate cushion from market volatility on most days and with timely action, the credit risk is reduced to large extent. • The legal document executed by the customer provide the legal recourse in case of default by the customer.
B.2	Dis-honor of update (UDC)/Post dated cheques (PDC)	• Different high-courts have issued different judgement on dealing with cheque bounce case of UDC / PDC.	• As a process, we rely on primary security of Approved Security. UDC / PDC are insisted as secondary security and to be invoked only if the primary security is not sufficient to recover the loan.
C	**Operational risks**		
C.1	Risk for IPO/Mutual Funds/ESOP Funding	• In case of IPO/MF/ESOP, the funding happens prior to pledge/lien creation process is initiated post allotment and /or listing of units which might take up to 45 days.	• We allow IPO funding very selectively under specific credit approvals. To manage such funding requirements, the adequate control framework is being put in place including obtaining the requisite document from customer and where requires the power of attorney over band and/or DP account is taken for control perspective.
C.2	Dealing Errors	• Punching error at the time of cheque receipt entry/security releases entry.	• Operation staffs have been facilitated with instruction manual. Manual checks have also been put in place to avoid operational errors.
C.3	Punching Error by Risk team	• Punching error at the time of liquidation, system error and wrong data generated, extra-exposure provided etc.	• Risk staffs have been facilitated with Desk Instruction Manuals. Also system and manual checks have also been put in place to avoid operational error.
C.4	Error by Credit Underwriting team	• Credit underwriting team can make calculation error in arriving at loan eligibility etc.	• Credit underwriting staff have been facilitated with Desk Instruction manuals. Also, system and manual checks have been put in place to avoid

			computational error.
C.5	Errors	• Loss due to failure of system • Loss due to operational errors like failure to transfer the securities for pay in etc. • Punching errors etc.	• Proper training and checks are being put in place to avoid human error. However, we continue to run the risk of human error and system failures.
D	**Regulatory Risk**		
D.1	Regulatory Risk	• Suspension of customer/scrip due to regulatory direction and may not give opportunity to exit/liquidate the stock to recover the loan	• This is risk event wherein we cannot enforce our right to sale on the security and recovery of dues payable need to be ensured though legal and other alternate.
D.2	Regulatory action due to money laundering by the customer	• Regulatory orders	• KYC level checks and post trade checks would be conducted. If any irregularity found then information will be reported to Financial intelligence Unit(FIU), a Government Agency setup to monitor AML aspects. Necessary action would be taken including suspension / Termination of account.
D.3	Regulatory action due to dealing with the debarred customer	• Regulatory orders	• KYC requirements are in place to ensure filtering at the time of on-boarding of customer. • Also as and when any orders are issued by Regulator then checks would be conducted and if any customer name found matching then customer's account would be appropriately dealt with.
E	**Fraud Risk:**		
E.1	Mis-selling	• Loss due to mis-selling by the RM. • Loss due to infidelity of the employee.	• Appropriate checks are in place and sample transactions are monitored closely.
E.2	Data Breach	• Loss due to hacking of IT system by outsider of Loss due to unauthorized interception of log in ID and password of the customer	• Systems and IT resources are equipped with the state of the art firewall and other controls. Also information security risk awareness is communicated to protect the customer confidential data.
G	**Residual Risks**	• Other External Factors - e.g. Political Climate, War, Earthquake etc.	• Backup plans are put in place

10.Risk Management Methodology

The Company has adopted various risk management tools and methodologies to support its risk management framework, and to be an enabler for proactive risk management. Key tools are:

- Product Approval process
- Risk and Control Self-Assessment
- Exception reporting
- Early Warning Signals
- Stress Testing

Product Approval Process

The Company must identify all potential risks and put in place suitable controls before releasing a new product. Each and every new product that the company introduces must go through this approval process. The product note and related process need to be mandatorily approved by the CEO, Chief Compliance Officer and Chief Risk Officer.

A new product must pass the Proof of Concept (PoC) phase before it can be fully released.

Risk and Control Self-Assessment (RCSA)

RCSAs are used for recording various non-financial risks at various process stages and its controls available to mitigate the risks. In addition to risk recording, it is also used to assess the need for additional controls and change in process, if required.

Exception Reporting

The Company follows incident/exception reporting mechanism to ensure that deviations to the policies and processes, if any, are reported on a timely manner. The incidents reported are classified as High, Medium, and Low.

A detailed Root Cause Analysis is performed for incidents which are classified as High with defined mitigation plan. Key Exceptions also get reported to the Board.

The exceptions reported are used as feedback to improve processes, controls and analyze the emerging risks.

The Company has independent reporting channels like Whistleblower to ensure that fraud and other conduct related incidents get reported to facilitate anonymity in reporting, wherever required.

Early Warning Signal (EWS)

The Company uses Early Warning Signal (EWS) framework to identify risks at nascent stage. Early Warning Signals (EWS) have been defined across products via designing and red flag identification mechanisms which focus on collating data from multiple sources and provide consolidated view to facilitate decision-making.

Stress Testing

Stress testing shall form an integral part of the overall governance and liquidity risk management

culture in the Company. The Company should conduct stress tests on a regular basis for a variety of short-term and protracted Company -specific and market-wide stress scenarios (individually and in combination). In designing liquidity stress scenarios, the nature of the Company's business, activities and vulnerabilities should be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which the Company is exposed.

11.Reporting Mechanism

Quarterly Risk Management Report - To RMC

12.Risk Culture

Risk Culture is of paramount importance to the Company. The Company believes that culture protects when policies and processes fail. The Company periodically evaluates its risk culture.
Appropriate risk behavior is recognized and applauded

13.Risk Appetite

The Company has its risk appetite established in line with the strategic objectives and business plans. The risk appetite is reviewed and monitored by the respective Business Heads and Risk Committees.

The Company's risk appetite is aligned to its Guiding Principles:

- "Our Reputation is more important than any financial reward"
- "We will respect risk",
- "We will obey and comply with all the rules of the land", and
- "We will be fair to our clients, our employees and all stakeholders"

14.Business Continuity Plan

The Company has robust and well defined business continuity program. Regular drills and tests are conducted to cover all aspects of the Business Continuity Plan. Plans are reviewed and maintained regularly to incorporate any changes to environment, people, process and technology. Business Continuity Office continuously works towards strengthening the business continuity preparedness of the company.

BCP Policy of NWFL is attached herewith (Annexure 1)

Annexure 1
NWFL-ISMS-BCP-POL

15.Asset Liability Management

Asset- Liability Management is the set of actions and procedures designed to control risks and financial position. Safety and soundness issues are an important part of this definition. However, the Company recognizes the need for consistent earnings to help with growth and service, balanced with other factors.

The assets and liabilities of the Company will be managed to achieve satisfactory and consistent earnings, liquidity, and safety. The Company believe in not relying on interest rates and other factors and is therefore, establishing policies and procedures for Asset Liability management in an effort to appropriately manage the risks and financial position. The Company also recognizes the importance of liquidity/funds management in effectively managing its balance sheet and related earnings stream. Accordingly, this policy includes the perspective on liquidity management.

ALM covers;

1. Outline the Scope and Responsibilities of the Asset Liability Management Committee,
2. Overcome the asset-liability mismatches, interest risk exposures, etc,
3. Ensure overall system for effective risk management,
4. Measure and manage the various Risks facing the company on a consistent basis,
5. Establish guidelines to meet various applicable regulatory rules and statutes,
6. Form a consistent co-policy with other policies (investments, lending, operations, etc.)
7. Coordinate the management of the company's financial position and
8. Maintain a good balance among spreads, profitability and long-term viability.

16.Information Security Management System

The information security management system (ISMS) is part of the overall management system, based on a business risk approach of, to establish, implement, operate, monitor, maintain and improve information security. The management system includes organization, structure, and policies, planning activities, responsibilities, practices, procedures, processes and resources.

Information Security Risk assessments are providing management with information required to understand factors that can negatively influence operations and outcomes and make informed judgments concerning the extent of actions needed to reduce risk. As reliance on computer systems and electronic data has grown, information security risk has joined the array of risks that businesses shall manage.

The purpose and objective of performing periodic risk assessment is to determine and rank the risk areas to prioritize the remediation.

Risk Assessment Methodology adopted by the group is as below: -

- Asset Identification & Classification (done by the Asset Owner/Process Owner) (Refer: Information Classification Policy & Procedure)
- Assigning criticality values to identified Assets and prioritizing based on criticality ratings
- Identification of critical processes
- Identification of threats, vulnerabilities and risks for critical process
- Identification of risk value based on Impact and Probability of risk
- Mapping of controls to threats
- Calculating existing residual risk

17.Risk Governance

NWFL believe “Effective Risk Management begins with Effective Risk Governance”.

NWFL has a well-defined and evolved risk governance structure, with an active and engaged Board of Directors supported by a Senior Management Team. Decision making is centralized through a number of senior and executive committees. Decision making levels are based on the Company’s objectives and risk tolerance limits. Strategies, policies and limits are designed to ensure that risks are prudently diversified. Risk mitigating activities are reviewed periodically by senior management and further at the Board.

18.Review of the Policy

The Board shall review and amend the Policy periodically as may be deemed necessary and atleast annually, keeping in view the business environment, the performance of the Company, regulatory requirements, and other relevant external factors.

Annexure 2

Credit Risk Policy

The policy purpose is to provide all personnel with a comprehensive understanding of how credit of any nature is to be extended by NWFL & how risk is monitored by NWFL. It is expected that there may need to be periodic exceptions to the policies contained herein, and prior approval must be obtained from the Investment/Credit Committee of NBFC before any commitments or advances may be made pursuant to an exception.

The policy manual has been developed from all the existing policies and procedural instructions as well as external sources. This policy aims to cover all kinds of credit facilities that NWFL extends to its customers under Capital Market Products. However, common principles relating to the organization risk culture, regulatory limits on exposure, determination of interest rates, dealing with willful defaulters and non-cooperative borrowers have been dealt with under a common section. This manual and subsequent update issued by NWFL will help further define the NBFC's credit & risk policy and serve as a primary reference source for all credit & risk-related issues. Any proposed changes must be reviewed by the Risk Management Committee/Operations Committee and approved by the Board. In matters of urgency or exceptional cases, approval of the Investment/Credit Committee of NWFL may be obtained and later ratified by the Board.

The policies outlined herein are intended to be general in nature and will be supplemented by various procedures, which will contain implementing details.

Policy document attached here.

Annexure 2 Credit and Risk Policy.pdf

Annexure 3

ALM Policy

Asset- Liability Management (ALM) is the set of actions and procedures designed to control risks and financial position. Safety and soundness issues are an important part of this definition. However, the Company recognizes the need for consistent earnings to help with growth and service, balanced with other factors.

The assets and liabilities of the Company will be managed to achieve satisfactory and consistent earnings, liquidity, and safety. The Company believe in not relying on interest rates and other factors and is therefore, establishing policies and procedures for Asset Liability management in an effort to appropriately manage the risks and financial position. The Company also recognizes the importance of liquidity/funds management in effectively managing its balance sheet and related earnings stream. Accordingly, this policy includes the perspective on liquidity management.

ALM Policy document attached here.

Annexure 3
Guidelines on ALM 06

Annexure 4

IT Risk Policy

The information security management system (ISMS) is part of the overall management system, based on a business risk approach of, to establish, implement, operate, monitor, maintain and improve information security. The management system includes organization, structure, and policies, planning activities, responsibilities, practices, procedures, processes and resources.

Information Security Risk assessments are a means of providing management with information required to understand factors that can negatively influence operations and outcomes and make informed judgments concerning the extent of actions needed to reduce risk. As reliance on computer systems and electronic data has grown, information security risk has joined the array of risks that businesses shall manage.

IT Risk Policy attached here.

Annexure 4
NWFL-ISMS-RAM v_7.

Annexure 5

Methodology Document – LAS

NWM intends to develop PD, LGD and EAD/CCF models for their LAS portfolio for the computation of ECL. In this context the PD has been assessed through the PAR approach, the LGD has been assessed through the regulatory route.

NWFL deals in loan against securities which are very liquid in nature. ESOP funding is the biggest line of business in the portfolio and the collateral for this type of funding is liquid shares of top corporates. Risk of going out of pocket due to illiquidity of collateral is almost negligible. A 25% haircut is applied on the value of the collateral, based on Basel haircut values for corporate securities.

Methodology Document attached Here.

Annexure 5 ECL Model Policy.pdf

Annexure 6

Delegation of Powers

Authorization Matrix / Delegation of Power for Sanction of loans.

Detail DOP attached here.

Annexure 6 DOP Framework - NWFL.pc

Annexure 7

Composition of Committees

Composition of various committees as approved.

Detail Composition attached here.

Annexure 7 NWFL Committee Constitutic

Annexure 8

Investment Policy

Investment Policy adopted by Company is attached herewith

Annexure 8 NWFL - Investment Policy Mar

Annexure 9

Operational Risk Management Policy

Operational Risk Management Policy adopted by Company is attached herewith

Annexure 9 NWFL Operational Risk Man