

RISK MANAGEMENT POLICY

QGO FINANCE LIMITED

Sl. No.	Name of Policy		Version	Board approval date	Remarks
1.	Risk Policy	Management	V1.0	August 18, 2018	Policy document approved.
2.	Risk Policy	Management	V2.0	June 20, 2023	Policy document revised.
3.	Risk policy	Management	V3.0	August 04, 2025	Policy document revised.

RISK MANAGEMENT POLICY

LEGAL FRAMEWORK:

QGO Finance Limited operates in a business environment that is inherently subject to financial, operational, strategic, and compliance-related risks. This Risk Management Policy sets out a structured approach to identify, assess, monitor, and mitigate these risks in a proactive and responsible manner.

This policy is framed in accordance with the following regulatory requirements:

- **Reserve Bank of India (RBI):**

As per Clause 39 of the Master Direction – Non-Banking Financial Company – Scale Based Regulation, 2023, all NBFCs are required to constitute a Risk Management Committee. The Direction states:

“In order that the Board is able to focus on risk management, NBFCs shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and shall report to the Board.”

While the Master Direction does not explicitly mandate the formulation of a risk management policy, QGO Finance Limited has adopted this policy to provide a clear framework for risk governance and oversight.

- **Companies Act, 2013:**

Section 134(3)(n) of the Act requires the Board’s Report to include a statement indicating the development and implementation of a risk management policy, including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

Section 177(4)(vii) assigns to the Audit Committee the responsibility of evaluating internal financial controls and risk management systems, as part of its terms of reference.

- **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

While certain provisions relating to risk management committees (Regulation 21) and board oversight (Regulation 17) are not applicable to the Company pursuant to Regulation 15(2), QGO Finance Limited continues to follow good governance practices by voluntarily adopting a Risk Management Policy and ensuring appropriate oversight by the Board.

GOVERNANCE OVERSIGHT AND ROLE OF INDEPENDENT DIRECTORS:

As per Schedule IV of the Companies Act, 2013 [Section 149(8)], which outlines the Code for Independent Directors, the independent directors of the Company play a key role in risk governance. Their functions, inter alia, include:

- Bringing an independent judgment to bear on the Board's deliberations, particularly on matters related to strategy, performance, risk management, resource planning, key appointments, and standards of conduct;
- Satisfying themselves regarding the integrity of financial information and ensuring that financial controls and the systems of risk management are robust and defensible.

In line with the above, the Board of Directors and the Audit Committee of QGO Finance Limited periodically review and evaluate the Company's risk management systems to ensure that risks are appropriately identified, assessed, and mitigated through a structured framework.

Accordingly, to strengthen the Company's ability to assess, mitigate, and manage risk, this Risk Management Policy has been adopted and implemented.

INTRODUCTION:

Risk management is a critical component of sound corporate governance and is embedded within the Company's overall principles and code of conduct. A structured risk management approach enhances decision-making and strengthens the Company's ability to achieve its strategic objectives while safeguarding stakeholder interests.

This Risk Management Policy is intended to help the Company proactively identify, assess, mitigate, and monitor risks arising from both internal operations and external developments. It enables QGO Finance Limited to minimize adverse impacts and leverage emerging opportunities in a dynamic business environment.

The implementation of the risk management system shall be the responsibility of respective Heads of Departments (HoDs), who shall ensure adherence to the applicable risk controls within their areas of operation. They shall periodically report the identified risks, mitigation actions, and status updates to the Board of Directors and the Audit Committee as part of the Company's risk oversight framework.

APPLICABILITY:

This policy applies to all areas of the Company's operations.

OBJECTIVE & PURPOSE OF POLICY:

The objective of this Risk Management Policy is to ensure sustainable and stable business growth by fostering a proactive and systematic approach to identifying, assessing, mitigating, and reporting risks associated with the Company's operations.

This policy aims to establish a structured and disciplined framework for risk management that supports informed decision-making at all levels and embeds risk awareness into the organizational culture. It ensures that risk management is not a standalone function but an integral part of every employee's role and responsibility.

By doing so, the Company seeks to:

- Minimize the adverse impact of uncertainties,
- Enhance its ability to capitalize on opportunities, and
- Promote long-term value creation for all stakeholders.

THE SPECIFIC OBJECTIVES OF THE RISK MANAGEMENT POLICY ARE:

1. To identify, assess, and manage all current and future material risk exposures of the Company, including financial, operational, sectoral, sustainability-related, cyber security, information, and any other internal or external risks that may impact the business.
2. To establish a structured risk management framework that ensures effective implementation of risk identification, evaluation, mitigation, and monitoring processes across the Company.
3. To ensure compliance with applicable regulatory requirements by aligning the Company's risk practices with recognized standards and industry best practices.
4. To support sustainable business growth with financial stability by managing risk exposure within defined tolerance levels.
5. To safeguard and enhance the Company's assets, operations, and reputation through proactive risk governance.
6. To develop and implement risk mitigation plans, supported by adequate systems and processes for internal controls.
7. To reduce volatility across business areas by building and leveraging the organizational knowledge base and strengthening employee capabilities.
8. To optimize operational efficiency by anticipating and responding effectively to evolving economic, technological, legal, social, political, and environmental conditions.
9. To incorporate customer risk categorization as per the Reserve Bank of India's KYC Master Direction, 2016, by classifying customers into low, medium, and high-risk categories and applying risk-based due diligence accordingly.

DEFINITIONS:

In this Policy, unless the context otherwise requires:

- **“Audit Committee” or “Committee”** means the Audit Committee of the Board of Directors of the Company constituted in accordance with the provisions of the **Companies Act, 2013** and the rules made thereunder, read with the applicable provisions of the **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**, as amended.
- **“Risk Management Committee”** means the Risk Management Committee of the Board of Directors of the Company constituted in accordance with **Chapter VI of the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023**.
- The Risk Management Committee is responsible for evaluating the overall risks faced by the Company, including liquidity risk, and for ensuring that risks are identified, controlled, and mitigated through integrated systems, strategies, and procedures. The Committee may comprise members of the Board and senior executives/heads of risk functions. A majority of its members shall be from the Board of Directors.
- **“Board of Directors” or “Board”** means the collective body of directors of the Company, including any Committee of Directors duly authorized by the Board.
- **“Company”** means **QGO Finance Limited**, a company incorporated under the provisions of the Companies Act, 2013.
- **“Policy”** means this **Risk Management Policy**, including any amendments or supplements thereto, as approved by the Board of Directors from time to time.
- **“SEBI”** means the **Securities and Exchange Board of India**.
- **“SEBI Act”** means the **Securities and Exchange Board of India Act, 1992**, as amended from time to time.
- **“Risk Assessment”** means the systematic process of identifying and analyzing risks. It involves evaluating threats, vulnerabilities, and the Company’s exposure to various risk factors.
- **“Risk Management”** means the structured approach to identifying, assessing, mitigating, and monitoring risks to protect the Company’s resources, operations, and reputation.

- **“Risk Management Process”** means the systematic application of policies, procedures, and practices to the tasks of establishing the risk context, identifying, analyzing, evaluating, mitigating, monitoring, and communicating risks.

ROLE OF THE BOARD:

The Board will undertake the following actions to ensure risk is managed appropriately:

1. Frame, implement, and monitor the overall risk management plan and ensure it aligns with the Company’s strategic and operational objectives.
2. Ensure that appropriate systems and frameworks are in place to identify, assess, and mitigate material risks across all functions of the Company.
3. Enable independent directors to bring an objective and independent perspective on risk-related matters and to satisfy themselves that the Company’s risk management systems are robust and defensible.
4. Participate in strategic decision-making that could materially affect the Company’s risk profile.
5. Maintain ongoing awareness and oversight of strategic and enterprise-level risks, including emerging risks.
6. Ensure that adequate processes and controls are established for the effective management of operational and less significant risks.
7. Be satisfied that a clear accountability and delegation framework exists, through which delegated risk responsibilities are documented and monitored.
8. Ensure that risk management is embedded into Board discussions and reporting, including the annual report and other key disclosures.
9. Constitute and empower committees, including the Risk Management Committee, as necessary for effective risk governance.
10. Periodically review the Risk Management Policy, at least once every two years, or sooner if required due to changes in the regulatory environment, industry dynamics, or complexity of operations.
11. Ensure that the Company complies with all applicable regulatory requirements and adopts best practices relating to risk identification, mitigation, and monitoring.
12. Oversee the adoption of a customer risk categorization framework as per the RBI’s KYC Master Direction, 2016, ensuring that customers are classified into low, medium, or high risk categories and that appropriate due diligence and monitoring measures are applied in line with their risk profile.

RISK MANAGEMENT PROCEDURES

General

Risk management process includes four activities: Risk Identification, Risk Assessment, Risk Mitigation and Monitoring & Reporting.

1. Risk Identification

The purpose of risk identification is to recognize the internal and external risks specifically faced by the Company. These may include, but are not limited to, financial, operational, sectoral, information security, and cyber security risks, as well as any other risks as may be determined by the Risk Management Committee. Additionally, this process involves identifying emerging risks and other events that could adversely impact the achievement of the Company's strategic and operational objectives.

Identified risks are discussed within relevant management forums or committees and are periodically escalated to the Risk Management Committee and/or the Board, along with mitigation strategies, action plans, and the responsible function or department. The Company ensures that risk identification is an ongoing process and forms an integral part of decision-making at various levels.

The Company majorly focuses on the following types of material risks:

- **Business Risk** – Risks related to demand fluctuations, business model viability, or changes in market conditions.
- **Technological Risk** – Risks arising from failure of IT systems, legacy infrastructure, or technology disruptions.
- **Strategic Business Risk** – Risks associated with long-term strategic decisions, capital allocation, or partnerships.
- **Operational Risk** – Risks due to inadequate or failed internal processes, people, or systems.
- **Quality Risk** – Risks related to the quality or consistency of services, deliverables, or documentation.
- **Competition Risk** – Risks from new or existing competitors affecting business sustainability.
- **Realization Risk** – Risks of delays or shortfalls in recoveries, receivables, or cash flows.
- **Cost Risk** – Risks arising from unanticipated increases in operating or borrowing costs.

- **Financial Risk** – Risks such as credit, liquidity, interest rate, or funding-related risks.
- **Market Risk** – Risks from macroeconomic variables, regulatory tightening, or market volatility.
- **Reputational Risk** – Risk of damage to brand, trust, or stakeholder perception due to adverse events.
- **Cyber Risk** – Risks of data breaches, cyberattacks, or unauthorized system access.
- **Geographical Risk** – Risks arising from business concentration or exposure to specific regions.
- **Human Resource Risk** – Risks related to employee attrition, skill gaps, or leadership succession.
- **Legal / Regulatory Risk** – Risk of non-compliance with laws, regulations, or supervisory expectations.
- **Third-Party Risk** – Risks arising from reliance on external vendors, service providers, or partners.
- **Compliance Risk** – Specific risks relating to breach or lapses in regulatory compliance, including RBI, SEBI, and Companies Act requirements.

2. Risk Assessment

Risk assessment involves evaluating each identified risk to understand its **potential impact** on the Company and the **likelihood of its occurrence**. This assessment helps in prioritizing risks and determining the appropriate mitigation strategies.

Each risk is assessed based on the following two key parameters:

- Impact** – The potential severity of adverse consequences if the risk materializes.
- Likelihood** – The probability or frequency of the risk event occurring.

While conducting the assessment, the effectiveness of existing internal controls and mitigation measures is also taken into account to determine the residual risk – i.e., the level of risk that remains after applying current controls.

Based on this evaluation, risks are categorized as follows:

- **Low Risk** – Minor impact with low likelihood; requires standard monitoring.

- **Medium Risk** – Moderate impact and/or likelihood; may require enhanced controls or oversight.
- **High Risk** – Significant impact and/or high likelihood; requires immediate attention, active mitigation, and periodic reporting to senior management or the Risk Management Committee.

This categorization helps in prioritizing risk response efforts and integrating risk exposure into the Company's decision-making process.

3. **Risk Mitigation**

Once risks are identified and assessed, appropriate risk mitigation strategies shall be applied to minimize potential adverse impacts on the Company's operations and objectives.

The following framework shall be used to implement risk mitigation measures:

Each identified risk shall be addressed using one or more of the following mitigation approaches:

a. Risk Avoidance:

Eliminating the risk by choosing not to engage in the activity that gives rise to it. While avoidance can eliminate the threat entirely, it may also mean forgoing potential opportunities or benefits associated with that activity.

b. Risk Transfer:

Shifting the risk to a third party, either fully or partially. This is typically done through contracts, outsourcing, hedging arrangements, or insurance coverage, whereby the financial impact of the risk is borne by another entity.

c. Risk Reduction:

Implementing measures to reduce the likelihood or impact of the risk. This includes adopting preventive controls, improving systems and processes, or applying technical solutions to limit exposure.

Example: Engineering controls such as concreting slopes to prevent landslides.

d. Risk Retention:

Accepting the risk and its consequences, either intentionally or by default. This is generally used for low-impact or cost-effective risks, where the cost of mitigation (such as insurance) exceeds the potential loss. All residual risks that are not avoided or transferred are deemed to be retained.

The chosen mitigation strategy shall be based on the risk appetite of the Company, the cost-benefit analysis of mitigation efforts, and the criticality of the function or business area exposed..

DISCLOSURE IN BOARD'S REPORT:

Board of Directors shall include 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.

REVIEW AND AMENDMENT:

The policy shall be reviewed and amended by the Board from time to time in line with any amendments as may be necessary. Any change in the Policy shall be approved by the board of directors ("**Board**") of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.
