YES Capital (India) Private Limited

Group Risk Management Policy

Recommended by	Risk Management Committee
Approved by	Board of Directors on 02.07.2024

YES Capital (India) Private Limited

Table of Contents

1. Introduction

a. Purpose

This document sets the framework for Management of the risks that YES Capital (India) Private Limited (hereafter refer as "YCPL" or "the company") is exposed to. The Company operates as an Core Investment Company (CIC) and consequently is registered as a Non-Banking Financial Institution (CIC) with the Reserve Bank of India (RBI). The key purpose of this framework is to help manage business and better deal with risks in achieving the company's objectives.

b. Scope

The Policy covers the roles and responsibilities of the Board's Risk Management Committee ('RMC') and Risk management function. The Policy sets out the risk strategy and appetite of the Company and its objectives in respect of risk identification, measurement, monitoring and control. The Policy does not detail the Company's processes for the day-to-day management of risks. The Asset Liability Management (ALM) shall also be covered in the scope of the RMC.

This policy also enables the Company and its Board of Directors (including their committees) comply with the requirements of the Companies Act, 2013.

Objectives

YCPL is an core investment company and any business strategy entails risk. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside). Enterprise risk management ('ERM') deals with risks and opportunities to create or preserve value. ERM as a process is ongoing, effected by people (board of directors, management and employees), across the company and applied in setting strategy, designed to identify potential events (risks and opportunities) and manage the risks within its risk appetite, to provide reasonable assurance regarding the achievement of entity's objectives.

The Company is committed towards managing risks in line with its stated risk appetite through a systematic framework which identifies, evaluates, mitigates and monitors risks that could potentially have a material impact on the value of the organization or potentially hinder the organization in achieving its stated business objectives and goals.

The risk management practices are aimed to address one or more of these risk management goals as given below:

- Determine the risk profile of the Company;
- Ensure integration of risk considerations into decision-making processes including promotion of a risk management culture supported by a robust risk governance structure;
- Determine the relevant processes and strategies for risk management which include identification of risks, ongoing measurement and monitoring of risk exposures and ensuring relevant control or risk transfer;
- Develop and monitor mitigation plans for high risk items identified through the Self-Assessment mechanism done by respective business function, loss events and Internal / Statutory audit findings;
- To ensure adherence to applicable regulatory mandates as laid down by different regulatory

authorities and all critical internal policies/limits;

- Proactive and reactive approach to manage fraud;
- Minimizing reputational risk as identified and assessed as part of a regular assessment and managed on a case-by-case basis.

2. Risk Governance Framework

a. Risk Governance Structure

Effective risk management is based on a common understanding of risks, clear organizational structures and comprehensively defined risk management processes. The Management establishes and adheres to a risk strategy and associated risk appetite for the Company's business, which is derived from, and consistent with the business strategy. The risk governance structure of the Company consists of the RMC which assists the Board of Directors to achieve desired risk objectives.

b. Roles and Responsibility

- Board of Directors

  The main responsibility of the Board is to oversee the operation of an appropriate risk management strategy. The Company's Board has delegated its risk management and oversight responsibilities to the RMC.
- RMC

  The RMC oversees the functioning of the overall risk management framework of the Company and implementation of the risk management strategy including financial, operational, sectoral, ESG, information / cyber security, regulatory, reputation, business continuity etc, to the extent applicable. The RMC has also been vested with the responsibility to formulate, implement and periodically monitor the status of the risks. The RMC comprises of two members – Mrs. Raakhe Kapoor Tandon and Ms. Roshini Kapoor. Meeting of the RMC shall be held at least twice a year.

  The main responsibility of RMC is to establish effective Risk Management Framework and recommend to the Board the Risk Management policy and process for the organisation.

3. Risk Management Function

The Risk Management Function is an integral part of the "Three-Lines-of-Defense" concept which defines (i) first line of defense in which the respective heads of functions are responsible for having internal controls (ii) second line through the office of Chief Financial Officer and (iii) third line is through external and internal Audits.

Its main objectives are to set up the risk framework, identify, measure and monitor key risks across the organization, recommend mitigation solutions/controls, monitor controls and create risk awareness across the Company and

- Supporting the first line-of-defense by helping ensure employees at all levels of the Company are aware of the risks related to their activities and how to appropriately respond to them;
- Supporting the RMC with development of a risk strategy and risk appetite;
- Monitoring of the risk profile to ensure it remains within the approved risk appetite and following up on instances of any risk appetite breaches (i.e. via resolution directly with the first line-of-defense and other stakeholders or escalation to the RMC).

YES Capital (India) Private Limited

4. **Risk Management Framework**

Effective risk management requires identification, assessment, mitigation, monitoring and reporting of risks. Further, the Company has in place the Board approved policies which assist in risk identification, measurement and monitoring.

a. **Identification and assessment**

Risk identification is carried out on a regular basis, including as part of the business planning process and draws on a combination of internal and external data, covering both normal conditions and stressed environments. This shall be the result of a self-assessment process where risks are recorded. Risk measurement is then done basis a combination of its severity, related control environment and the probability of occurrence.

b. **Mitigation and monitoring**

Monitoring ensures that the risk management and mitigation approaches (accept, avoid, transfer, control) in place are effective. Monitoring may also identify risk-taking opportunities. There shall be regular monitoring of risk exposures against risk appetites, as well as key risk indicators against operating and financial risk limits and tolerances. The effectiveness of controls in place to manage operational risks, including compliance with the regulatory guidelines and internal defined standards shall also be monitored.

- Top Risk Assessment

  The Top Risk Assessment ('TRA') is a periodic analysis of all material quantifiable and non-quantifiable risks and to identify and remediate significant threats to financial results, operational viability or the delivery of key strategic objectives.

- Assessment of residual risk

  The residual risk is the risk that remains after considering the mitigation and existing controls in place. Wherever the residual risk is perceived as high, the Company shall additionally lay down mitigation actions where further strategic intervention may be required.

Residual Risk	Action steps
High	Strategic intervention may be required within the next 12 months
Medium	Strategic intervention may be required within the next 12-36 months
Low	Strategic intervention is unlikely to be required for next 36 months

c. **Reporting**

The Risk Management Function shall submit a list of top risks classified according to assessment of residual risk along with mitigation plans to the RMC bi-annually. This shall amongst others include evaluation Credit Risk, Liquidity Risk and Market risks.

5. **Risk Profile of the Company**

Investments in Group company are strategic in nature of associates and hence critical risks of Yes Capital India Pvt Ltd, which are operating companies would be risk reviewed from a capital call perspective. Each of the Group companies have their own Risk Management committees which review risks, their mitigation, control and trends. Of these, critical risks are evaluated, monitored and reviewed.

a. **Market risk** - Equity / Equity like Investment
Other Equity / Equity Like Investments are exposed to market fluctuations, however since they are long term in nature, the risks are minimised.

b. **Credit risk** – Debt Investment
Risk that the investee Company may not be able to (partially / fully) pay its obligations towards the instrument resulting in loss of income or even capital loss for the Company.

c. **Interest rate risk** – Debt Investment
The fluctuations in interest rates can affect the fair value of its debt investments.

6. Approval and Review

This policy is approved by RMC. Further, the RMC shall periodically review this policy, make necessary changes keeping in consideration the following:

a. changes in business
b. changes in external environment
c. complexity / evolution of risks
d. results of effectiveness of risk management systems

Such review shall mandatorily be done by RMC atleast twice in a year.

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