

LAKME INVESTMENT AND FINANCE LIMITED

Regd Office: No. 1, Anna Pillai Street, Chennai – 600 001.

Corporate Office: No.1, Padiyur Road, Pudupatti, Dindigul – 624 005.

CIN: U65993TN1995PLC033288 | Email ID: compliance@lakmefinance.com | Mobile No: 8925975497

RISK MANAGEMENT POLICY

Board approval Date: 20.03.2026

Sl No	INDEX	Page No
1	PREAMBLE	2
2	OBJECTIVES	2
3	SCOPE	3
4	REGULATORY FRAMEWORK	3
5	RISK GOVERNANCE FRAMEWORK	3
6	RISK MANAGEMENT PROCESS	4
7	RISK APPETITE	4
8	CREDIT RISK	5
9	LIQUIDITY RISK	5
10	INTEREST RATE AND MARKET RISK	6
11	OPERATIONAL RISK	6
12	INFORMATION TECHNOLOGY AND CYBER RISK	6
13	REGULATORY AND COMPLIANCE RISK	7
14	FRAUD RISK	7
15	OUTSOURCING RISK	7
16	REPUTATIONAL RISK	8
17	BUSINESS CONTINUITY RISK	8
18	RISK REGISTER	8
19	RISK REPORTING	8
20	POLICY REVIEW	10
21	BOARD APPROVAL	10

1. PREAMBLE

Lakme Investment and Finance Limited (“the Company”) recognizes that effective risk management is fundamental to achieving its strategic objectives, protecting stakeholder interests, ensuring financial stability, and maintaining sustainable business growth. As a Non-Banking Financial Company – Base Layer (NBFC-BL) registered with the Reserve Bank of India (“RBI”), the Company operates in an environment exposed to various risks, including credit risk, liquidity risk, operational risk, market risk, compliance risk, information technology and cybersecurity risk, reputational risk, strategic risk, and other emerging risks.

This Risk Management Policy has been formulated to establish a comprehensive framework for identifying, assessing, monitoring, controlling, mitigating, and reporting risks that may impact the Company's business operations, financial position, reputation, or regulatory compliance. The Policy seeks to embed a risk-aware culture across the organization and ensure that risk management forms an integral part of business planning, decision-making, and operational processes.

The Company is committed to maintaining a sound risk management framework that aligns with its business strategy, risk appetite, regulatory obligations, and corporate governance standards. The framework is designed to promote prudent lending practices, safeguard assets, preserve capital, maintain adequate liquidity, ensure operational resilience, and support long-term value creation for stakeholders.

This Policy has been developed in accordance with the applicable provisions of the Companies Act, 2013, RBI regulations and guidelines applicable to NBFCs, and other relevant statutory and regulatory requirements. The Policy provides broad principles and responsibilities for risk governance, including the roles of the Board of Directors, Risk Management Committee (where applicable), senior management, and employees in managing risks within their respective functions.

The objective of this Policy is to ensure that risks are proactively recognized and managed within acceptable limits, appropriate internal controls are maintained, emerging risks are identified in a timely manner, and corrective actions are implemented effectively. The Company shall periodically review its risk profile, risk appetite, and risk management practices to address changes in the business environment, regulatory landscape, and economic conditions.

Through this Policy, the Company reaffirms its commitment to sound governance, prudent risk-taking, regulatory compliance, operational excellence, and responsible business conduct, thereby enhancing its ability to achieve sustainable growth while protecting the interests of customers, investors, regulators, employees, and other stakeholders.

2. OBJECTIVES

The objectives of this Policy are to:

- a. Establish and sustain a structured enterprise-wide risk management framework.
- b. Protect capital, liquidity, profitability and reputation of the Company.
- c. Facilitate informed and risk-adjusted business decision making.
- d. Identify, assess, monitor and mitigate risks on a continuous basis.
- e. Maintain compliance with regulatory requirements.
- f. Strengthen internal controls and governance.
- g. Promote a risk-aware culture across the organization.
- h. Ensure long-term sustainability and resilience of the Company.

3. SCOPE

This Policy applies to all:

- a. Lending activities;
- b. Investment activities;
- c. Treasury operations;
- d. Outsourcing arrangements;
- e. Technology and digital operations;
- f. Employees and management;
- g. Branches and business locations;
- h. Third-party service providers.

The Policy covers all material risks affecting the Company.

4. REGULATORY FRAMEWORK

This Policy is formulated in accordance with:

- a. Reserve Bank of India Act, 1934;
- b. RBI Master Direction – Non-Banking Financial Company – Base Layer (NBFC-BL);
- c. RBI Prudential Norms;
- d. RBI Scale Based Regulation Framework;
- e. RBI KYC Directions;
- f. RBI Fair Practices Code;
- g. RBI Outsourcing Directions;
- h. RBI Digital Lending Guidelines;
- i. Companies Act, 2013;
- j. Applicable Accounting Standards;
- k. Other applicable RBI circulars and regulatory guidance.

5. RISK GOVERNANCE FRAMEWORK

5.1 Board of Directors

The Board shall:

- a. Approve Risk Management Policy;
- b. Define risk appetite;
- c. Review major risk exposures;
- d. Review portfolio quality;
- e. Monitor concentration risks;
- f. Review liquidity position;
- g. Review fraud incidents;
- h. Ensure adequacy of risk controls.

5.2 Senior Management

Senior Management shall:

- a. Implement the Policy.
- b. Monitor risks on an ongoing basis.
- c. Report significant risks, extant and emerging, to the Board.
- d. Ensure timely corrective action.

5.3 Internal Audit

Internal Audit shall independently assess:

- a. Risk management processes.
- b. Internal controls.
- c. Policy compliance.
- d. Regulatory compliance.

6 . RISK MANAGEMENT PROCESS

The Company shall adopt the following process:

6.1 Risk Identification

Identify risks arising from:

- Lending operations;
- Investments;
- Funding activities;
- Technology usage;
- Outsourcing arrangements;
- Regulatory environment.

6.2 Risk Assessment

Assess risks based on:

- Probability of occurrence.
- Financial impact. -Value at risk
- Operational impact.
- Regulatory impact.
- Reputational impact.

6.3 Risk Monitoring

Monitor identified risks periodically.

6.4 Risk Mitigation

Implement suitable controls to manage/reduce risk exposure.

6.5 Risk Reporting

Material risks shall be reported to the Board.

7 . RISK APPETITE

The Company shall pursue growth while maintaining prudent risk standards.

The Company shall:

- Avoid excessive borrower concentration.
- Maintain adequate liquidity.
- Avoid speculative activities.
- Maintain regulatory compliance.
- Follow conservative underwriting standards.

Business growth shall not compromise asset quality or regulatory compliance.

8. CREDIT RISK

Credit Risk is the risk of loss arising from a borrower's failure to meet repayment obligations.

Key Sources

- Default by borrowers.
- Deterioration in borrower creditworthiness.
- Inadequate collateral coverage.
- Concentration of exposures.
- Change in market conditions

Risk Mitigation

The Company shall:

- Follow Board-approved Loan Policy.
- Conduct KYC and due diligence.
- Obtain credit bureau reports.
- Undertake field verification.
- Regularly scan business environment
- Assess repayment capacity.
- Monitor portfolio quality.
- Monitor overdue accounts.
- Implement structured recovery mechanisms.

Concentration Risk

The Company shall monitor:

- Single borrower exposure.
- Group borrower exposure.
- Industry concentration.
- Geographic concentration.

Any material concentration shall be reported to the Board.

9. LIQUIDITY RISK

Liquidity Risk refers to the inability to meet financial obligations when due.

Risk Mitigation

The Company shall:

- Maintain adequate cash and bank balances.
- Monitor expected inflows and outflows.
- Maintain diversified funding sources.
- Prepare cash flow forecasts quarter wise.
- Monitor collections and recoveries.
- Review liquidity position periodically.

The Company shall avoid excessive reliance on a single funding source. The company shall also examine and explore funding options within regulations in order to reduce funding costs

10. INTEREST RATE AND MARKET RISK

Market Risk refers to adverse movements in interest rates and market conditions affecting earnings and capital.

Risk Mitigation

The Company shall:

- Periodically review lending rates.
- Align borrowing and lending maturities.
- Monitor cost of funds.
- Maintain appropriate spreads.
- Periodically review pricing strategy.

11. OPERATIONAL RISK

Operational Risk refers to loss arising from:

- Inadequate processes.
- Human error.
- Fraud.
- System failures.
- External events.

Risk Mitigation

The Company shall implement:

- Segregation of duties.
- Maker-checker controls.
- SOPs and operational manuals.
- Employee training.
- Internal controls.
- Periodic audits.
- Job rotation for operating staff which will plan a line of succession

12. INFORMATION TECHNOLOGY AND CYBER RISK

Technology Risk arises from failure of systems, cyber threats, unauthorized access or data breaches.

Risk Mitigation

The Company shall maintain:

- a. User access controls.
- b. Password controls.
- c. Data backup mechanisms.
- d. Antivirus protection.
- e. Firewall protection.
- f. Incident reporting mechanisms.
- g. Annual IT Audit.

The Company shall maintain a Board-approved IT and Information Security Policy.

13. REGULATORY AND COMPLIANCE RISK

Regulatory Risk refers to risk arising from non-compliance with laws, regulations or RBI directions.

Risk Mitigation

The Company shall:

- a. Maintain compliance checklists.
- b. Track regulatory changes.
- c. Conduct compliance reviews.
- d. Ensure timely filing of returns.
- e. Implement Board-approved policies.
- f. Conduct compliance training.

Material compliance breaches shall be reported to the Board.

14. FRAUD RISK

Fraud Risk refers to losses arising from deliberate acts of deception by employees, customers, vendors or third parties.

Risk Mitigation

The Company shall:

- a. Implementing Fraud Risk Management Policy.
- b. Maintain whistle blower mechanisms.
- c. Conduct background verification.
- d. Monitor suspicious transactions.
- e. Investigate fraud incidents.
- f. Maintain fraud registers.

Fraud incidents shall be reported to the Board.

15. OUTSOURCING RISK

Outsourcing Risk arises from reliance on third-party service providers.

Risk Mitigation

The Company shall:

- a. Conduct vendor due diligence.
- b. Execute written agreements.
- c. Monitor service performance.
- d. Protect customer information.
- e. Periodically review outsourced activities.

The Company shall remain accountable for outsourced functions.

16. REPUTATIONAL RISK

Reputational Risk refers to adverse perception by customers, regulators, lenders, investors and the public.

Risk Mitigation

The Company shall:

- a. Maintain ethical business practices.
- b. Ensure customer grievance redressal.
- c. Comply with regulations.
- d. Respond promptly to complaints.
- e. Maintain transparency in dealings.
- f. Seek and use feedback from all stakeholders' /business associates/partners to improve service quality

17. BUSINESS CONTINUITY RISK

Business Continuity Risk arises from events disrupting normal operations.

Risk Mitigation

The Company shall maintain:

- a. Business Continuity Plan (BCP).
- b. Disaster Recovery arrangements.
- c. Data backup procedures.
- d. Incident response mechanisms.
- e. Evolve a succession plan for Directors and key positions
- f. Undertake stress testing of assets and liabilities

Periodic testing shall be undertaken.

18. RISK REGISTER

The Company shall maintain a Risk Register containing:

Risk Category	Risk Description	Impact	Likelihood	Mitigation	Owner
----------------------	-------------------------	---------------	-------------------	-------------------	--------------

The register shall be reviewed at least annually.

19. RISK REPORTING

Management shall place before the Board at least annually:

- a. Credit Risk Review.
- b. Asset Quality Report.
- c. Liquidity Position.
- d. Fraud Incidents.
- e. Regulatory Compliance Status.
- f. Results of stress testing
- g. IT Risk Status.
- h. Internal Audit Findings.
- i. Material Risk Events.

Significant risk events shall be reported immediately.

20. POLICY REVIEW

This Policy shall be reviewed annually or earlier upon:

- RBI regulatory changes.
- Significant business expansion.
- Material risk events.
- Audit observations.
- Board directions.

Any amendment shall require approval of the Board of Directors.

21. BOARD APPROVAL

This Policy is approved by the Board of Directors at the meeting held on 20.03.2026.