Times Guaranty Limited

Risk Management Policy

Recommended by	Risk Management Committee
Approved by	Board of Directors on 11th June 2025

1. Introduction

Times Guaranty Limited (the "Company") is a Base Layer Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and classified as an Investment and Credit Company (ICC). The Company is listed on both major stock exchanges and is committed to maintaining high standards of corporate governance.

The company primarily focuses on providing customized financial solutions to corporate clients to support their business growth, including structured credit products such as term loans with bullet repayment options that offer repayment flexibility. The Company may also extend credit facilities to individuals with a business or professional relationship, as per its internal policies and regulatory norms. Additionally, the company manages its surplus funds through investments in mutual funds and debt securities, aiming for optimal returns with prudent risk management, while maintaining a transparent, disciplined, and compliant approach in all its operations.

This policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various RBI notifications / directions ["RBI Regulations"] issued in this regard.

2. 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.

3. 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
- To enhance decision-making by incorporating risk assessment into business strategies, allowing the company to pursue growth with greater confidence.
- To promote a culture of risk awareness and responsibility throughout the organization

by establishing clear policies and training programs.

- To protect the interests of stakeholders by ensuring consistent and stable operations through sound risk management framework.

4. Risk Governance Framework

- **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 the desired risk objectives.

- **Roles and Responsibility**

Board of Directors

The main responsibility of the Board is to oversee the operation of an appropriate risk management strategy.

a. The Board of Directors ensures a robust risk management framework is in place, overseeing its implementation and effectiveness across all functions.
b. To define and approve the company's overall risk strategy and ensure it aligns with the company's business objectives and growth plans.
c. To monitor key risk indicators regularly and ensures that appropriate mitigation actions are being taken to address emerging risks.
d. To ensure transparency and accountability by reviewing detailed risk reports and making informed decisions based on risk assessments.
e. To ensure that the company maintains sufficient capital and liquidity buffers to address potential financial stress or unforeseen events.
f. To promote a risk-aware culture by supporting the development of policies, processes, and employee training initiatives related to risk management.
g. The Company's Board has delegated its risk management and oversight responsibilities to the RMC.

RMC

a. The Risk Management Committee (RMC) periodically reviews the risk management policy to ensure it stays relevant to the company's business environment and industry changes.
b. The RMC evaluates the effectiveness of risk management systems, ensuring the implementation of appropriate methodologies, processes, and tools.
c. It identifies, monitors, and assesses the various risks faced by the company such as credit concentration risk, market risk, interest rate risk etc ensuring appropriate mitigation measures are taken in a timely manner.
d. The committee regularly reviews risk reports and key findings, ensuring that

identified risks are being addressed and managed effectively.

e. It keeps the Board informed about discussions, recommendations, and actions required to manage risks appropriately.

f. The RMC establishes and reviews risk tolerance levels and benchmarks to align with the company's strategic objectives.

g. It oversees the liquidity risk management framework, ensuring the company maintains adequate liquidity and adheres to approved limits.

h. The RMC shall periodically review and monitor the Key Risk Appetite Indicators of the company.

5. Risk Appetite

The company shall integrate a well-defined risk appetite into its operations to guide decision-making and achieve its business objectives. This means determining the level of risk the company is willing to take in areas like lending, liquidity management, and investments. For example, the company will set clear limits on credit risk when onboarding new borrowers or managing liquidity risk during market fluctuations.

By embedding risk appetite into its daily functions, the company ensures that all activities are aligned with its strategic goals and regulatory requirements. This approach helps balance growth with financial stability, ensuring risks remain within acceptable boundaries and protecting the interests of stakeholders.

6. Key Risk Appetite Indicators

In order to measure and monitor in a quantitative manner, the establishment of KRAI is imperative. KRAI is derived by studying the various policies approved by the board and identifying the key parameters, which is critical in meeting the risk policies and objectives of the company. The adherence to these KRAIs would be monitored on a quarterly basis in the RMC. Any breaches would be escalated to the Board and appropriate measures would be taken to address the same. As a good practice, an Early Warning Signal (EWS), would be given to the Board if the actual measured KRAI parameter is more than 90% of the threshold range provided herewith.

Sr. No.	Risk	Parameters	Threshold Range	EWS to Board
1	Credit Concentration Risk	Concentration of Portfolio, counter-party credit worthiness, borrowers financials default rates	should not constitute more than 30% of AUM for a single borrower and not more than 40% of AUM for single group of borrowers	25% of AUM for single borrowers and 35% of AUM for a single group of borrowers.
4	Market Risk	Volatility in values of investments/ collateral, economic changes or changes in regulatory environment	Any change in the market value exceeding 20% in one month	15% change in market value
5	Interest Rate Risk	Fixed vs floating rate mix, repricing mismatches, cost of funds, yield on assets	Not more than 30% of assets in terms of asset-liability profile is in fixed-floating or variable-fixed	25% of assets

			composition	

7. 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.

- **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.

- **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.

  Upon identifying risks, the Company shall categorize them based on their potential impact and likelihood of occurrence. Risks will be classified into High, Medium, and Low categories to prioritize response and mitigation efforts. This classification will help the Company allocate resources effectively and ensure that critical risks are addressed on a priority basis.

- Risk Mitigation Strategies

  Risk mitigation strategies are the actions and measures taken to reduce the likelihood or impact of potential risks on the company. These strategies focus on minimizing exposure to identified risks through control measures, contingency planning, and regular monitoring. The company shall implement a combination of preventive, corrective, and proactive approaches to manage risks effectively. By developing clear protocols, maintaining liquidity buffers, and staying compliant with regulations, the company shall ensures that it can respond quickly to challenges and safeguard its financial stability and reputation.

  a. Implementing control measures to reduce the likelihood and impact of identified risks, such as diversifying investments or limiting credit exposure.

  b. Developing contingency plans and maintaining liquidity buffers to ensure the company can manage unexpected disruptions or financial stress.

  c. Establishing clear protocols for responding to risks, including escalation procedures and responsibilities for corrective actions.

  d. Regularly reviewing and updating risk management strategies to ensure they remain relevant and effective in addressing new and emerging risks.

  e. Training employees and stakeholders on risk management practices to promote a culture of awareness and proactive risk handling.

  f. Ensuring compliance with regulatory guidelines and industry best practices to

minimize legal and reputational risks.

- **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 of Credit Concentration Risk, Market risks and Interest Rate Risk.

8. Types of Risks

- Credit Risk:

  The risk of borrowers defaulting on their loans can significantly impact the company's financial stability. Retail lending often involves:

  a. Possibility of losses associated with decline in the credit quality of borrowers or counterparties

  b. Default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions

  c. Loss from reduction in portfolio value (actual or perceived)

- Liquidity Risk:

  The risk of not having enough cash or liquid assets to meet short-term obligations. It can occur due to a mismatch between loan disbursements and available funds. To effectively manage liquidity risk, the company has formulated and adopted a robust liquidity policy that ensures sufficient liquid assets are readily available to meet all financial commitments as they arise.

- Technology Risk:

  The Company maintains a server-based system for storing and managing its business data and records. While the website provides only basic information, the core operations depend on internal technology infrastructure. Any system failure, data breach, or unauthorized access could disrupt operations or lead to data loss. The Company shall ensure that its server is maintained securely, with regular backups and necessary safeguards to protect against such risks.

- Market Risk:

  The risk of losses due to fluctuations in market variables such as interest rates, stock prices, or investment values, which can affect the returns on the company's investments.

- Interest Rate Risk:

  Interest rate risk refers to the potential impact on the Company's earnings and asset quality due to fluctuations in market interest rates. As the Company primarily offers

customized financial solution to the borrowers based on different parameters such as credit profile, purpose of loan, type and size of loan, market conditions etc, any significant changes in interest rates may affect the cost of funds and the spread earned on lending. To manage this risk, the Company regularly reviews its interest rate strategy in line with market conditions and its Interest Rate Policy, ensuring a balanced and prudent approach to pricing and asset-liability management.

9. 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:

- changes in business
- changes in external environment
- complexity / evolution of risks
- results of effectiveness of risk management systems

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

x-x-x-x