Risk Management Policy

1. Introduction

Barota Finance Limited, through its digital lending platform **Paisa24Finance**, recognises that effective risk management is essential for maintaining financial stability, protecting customers and stakeholders, supporting responsible lending and ensuring sustainable business operations.

This Risk Management Policy establishes the broad principles and framework for identifying, assessing, monitoring, controlling and reporting risks arising from the Company's business activities.

2. Objectives

- Identify and assess risks that may affect the Company's customers, operations and financial position.
- Maintain appropriate controls to reduce and manage identified risks.
- Support responsible and sustainable lending practices.
- Protect customer information and Company assets.
- Ensure compliance with applicable legal and regulatory requirements.
- Establish appropriate risk monitoring, reporting and escalation mechanisms.
- Promote a strong risk-aware culture throughout the organisation.
- Support business continuity and timely response to significant incidents.

3. Risk Management Framework

The Company maintains a risk management framework appropriate to the nature, scale and complexity of its operations.

The framework is intended to support timely identification of material risks, appropriate risk assessment, implementation of controls, continuous monitoring and escalation of significant risk events.

Risk management is integrated into business decisions, product development, lending processes, technology operations and compliance activities.

4. Credit Risk Management

Credit risk is the risk of financial loss arising from a customer's or counterparty's failure to meet contractual obligations.

The Company seeks to manage credit risk through appropriate customer identification and verification, eligibility assessment, credit assessment, underwriting processes, applicable documentation, exposure monitoring and repayment tracking.

Credit policies and assessment criteria may be reviewed periodically based on portfolio performance, regulatory requirements and changing market conditions.

5. Operational Risk Management

Operational risk may arise from inadequate or failed internal processes, people, systems or external events.

The Company seeks to manage operational risk through defined processes, internal controls, segregation of responsibilities, access controls, employee awareness, monitoring, incident management and business continuity arrangements.

6. Fraud Risk Management

The Company recognises fraud as a significant risk to financial institutions and customers.

Appropriate preventive and detective controls may be used to identify suspicious activities, fraudulent applications, identity-related fraud, transaction irregularities and other forms of misconduct.

Suspected fraud may be investigated and escalated through appropriate internal and regulatory channels, as applicable.

7. Compliance and Regulatory Risk

The Company is committed to complying with applicable laws, regulations and regulatory directions, including applicable requirements issued by the Reserve Bank of India.

Compliance risks are managed through internal policies, regulatory monitoring, compliance reviews, reporting mechanisms, employee awareness and appropriate escalation of identified issues.

8. Information and Cybersecurity Risk

The Company recognises the risks associated with unauthorised access, cyberattacks, data breaches, malware, system compromise and other information-security incidents.

Appropriate technical and organisational controls are maintained to protect information systems and customer data. These may include access controls, authentication mechanisms, encryption, monitoring, security testing, incident response and periodic review of security controls.

9. Data Privacy Risk

The Company seeks to protect personal and financial information handled during its lending and business operations.

Customer information is processed and protected in accordance with applicable data-protection and privacy requirements and the Company's Privacy Policy. Access to sensitive information is restricted based on legitimate business requirements and authorised access levels.

10. Liquidity and Financial Risk

The Company monitors financial and liquidity risks associated with its business operations and funding requirements.

Appropriate financial planning, monitoring and reporting processes may be used to assess liquidity requirements, cash flows, funding sources and financial obligations.

11. Legal and Reputational Risk

The Company recognises that legal disputes, regulatory issues, customer complaints, operational failures or unethical conduct may adversely affect its reputation and business.

The Company seeks to manage such risks through regulatory compliance, appropriate contractual arrangements, customer grievance mechanisms, internal controls, responsible business practices and timely escalation of material issues.

12. Risk Identification and Assessment

Risks may be identified through business activities, internal assessments, audits, incident reports, customer complaints, regulatory developments, management reviews and other appropriate monitoring mechanisms.

Identified risks may be assessed based on their potential impact, likelihood, financial significance, regulatory implications and effect on customers or stakeholders.

13. Risk Monitoring and Reporting

Material risks are monitored through appropriate management information, key risk indicators, control reviews, portfolio analysis, operational monitoring and other relevant mechanisms.

Significant risk events or emerging risks may be escalated to appropriate management or governance authorities in accordance with internal procedures.

14. Risk Mitigation and Controls

Where material risks are identified, the Company may implement appropriate mitigation measures, which may include process improvements, additional controls, approval limits, monitoring mechanisms, technology controls, staff training, risk transfer arrangements or other corrective actions.

The effectiveness of significant controls may be reviewed periodically.

15. Business Continuity and Incident Management

The Company seeks to maintain appropriate arrangements for responding to significant operational disruptions, technology incidents, cybersecurity events and other circumstances that may affect critical business operations.

Incident management and business continuity procedures may include identification of critical activities, escalation protocols, recovery measures, communication arrangements and post-incident review.

16. Roles and Responsibilities

The Board and senior management provide appropriate oversight of the Company's risk management framework in accordance with applicable requirements.

Business and functional teams are responsible for identifying and managing risks arising within their areas of responsibility. Employees are expected to follow applicable policies, controls and procedures and promptly report material risk events or concerns.

17. Risk Culture

The Company promotes a risk-aware culture in which employees are encouraged to identify, report and appropriately manage risks.

Employees are expected to perform their duties responsibly and understand the potential impact of their decisions on customers, the Company and other stakeholders.

18. Policy Review

This Risk Management Policy shall be reviewed periodically or whenever there are significant changes in applicable laws, regulations, regulatory directions, business activities, products, technology or the Company's risk profile.

The Company may modify, update or replace this Policy where necessary.

19. Compliance with Applicable Law

In the event of any conflict between this Policy and any applicable law, regulation or regulatory direction, the applicable law, regulation or regulatory direction shall prevail.

20. Contact Information

For any queries relating to this Risk Management Policy, customers and other stakeholders may contact:

Barota Finance Limited
Through Paisa24Finance

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RBI Registration No.: B-06.00606

This Risk Management Policy is subject to applicable laws, regulations and regulatory directions and may be updated from time to time.