RISK MANAGEMENT POLICY

OF

PB FINTECH LIMITED
(FORMERLY "ETECHACES MARKETING AND CONSULTING PRIVATE LIMITED")

BACKGROUND

As per the Dictionary meaning, the term "risk" is defined as a chance or possibility of danger, loss, injury or other adverse consequences.

As per the Companies Act, 2013, there are specific requirements that a company needs to be complied with. This document lays down the framework of Risk Management at PB Fintech Limited (formerly Etechaces Marketing and Consulting Private Limited) (hereinafter referred as "the Company" or "PBFL"). This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

OBJECTIVE

Through Risk Management Plan threats are identified and then managed that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats. Particularly Risk Management aims at creating stakeholder's value.

PROVISIONS UNDER VARIOUS STATUTES

Section 134(3) of the Companies Act, 2013 requires:

- a statement to be included in the report of the Board of Directors ("Board") of the Company 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.

Furthermore, Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations"), requires that:

- the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the Corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance Voluntary Guidelines, 2009.

ROLE OF RISK MANAGEMENT COMMITTEE

The role of the committee shall, *inter alia,* include the following:

1. To formulate a detailed risk management policy which shall include:
    a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
    b) Measures for risk mitigation including systems and processes for internal control of identified risks.
    c) Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

ROLES AND FUNCTIONS OF VARIOUS AUTHORITIES

1. INDEPENDENT DIRECTORS

As per Sub- section (8) of Section 149 the roles and functions of the Independent Directors shall:

- help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

2. AUDIT COMMITTEE

As per sub- section (4) of Section 177, Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include:

- evaluation of internal financial controls and risk management systems.

RISK MANAGEMENT

The risk management process involves reviewing of operations, identifying the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action.

i). The Board, its Audit Committee and its executive management should collectively identify the risks impacting the company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.

ii). The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen once every six months by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the company.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organization.

STEPS TOWARDS RISK MANAGEMENT

1) Risk Governance
2) Risk Identification
3) Risk Description
4) Risk Assessment
5) Risk Evaluation
6) Risk Estimation
7) Reporting
8) Board approval
9) Review of the Policy

1. RISK GOVERNANCE

The Functional Heads of various Departments of the Company are responsible towards identifying and managing risks and implementing risk mitigation measures.

2. RISK IDENTIFICATION

All the factors whether internal or external which can affect the business operations adversely should be identified well in advance so that they can be managed. For the purpose of identification risk may be classified in the following:

i. Strategic

ii. Operational

iii. Financial

iv. Hazard

3. RISK DESCRIPTION

The risks identified must be displayed in a structured form:

- Name of Risk
- Scope of Risk Qualitative description of events with size, type, number etc.
- Nature of Risk Strategic, Operational, Financial, Hazard
- Quantification of Risk Significance & Probability
- Risk Tolerance/ Appetite Loss Potential & Financial Impact of Risk
- Risk Treatment & Control Mechanism
  a) Primary Means
  b) Level of Confidence
- Potential Action for Improvement Recommendations to Reduce Risk

4. RISK ASSESSMENT

The assessment of risks of the Company are subject to both external and internal risks, risks control, Capability development that are enumerated below:

1. On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.
   - External risks factors:
     - Economic Environment
     - Political Environment
     - Competition
     - Fluctuations in trading activities

- Changes in interest rates
- Changes in government policies
- Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations

2. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

3. Internal Risk Factors

   - Project Execution
   - Contractual Compliance
   - Operational Efficiency
   - Hurdles in optimum use of resources
   - Quality Assurance
   - Environmental Management
   - Human Resource Management
   - Culture and values
   - Legal risk

4. Other Examples of identified risks are as follows:
   - Failure in implementing its current and future strategic plans
   - Significant and rapid technological change
   - Damage to its reputation
   - Its products losing market appeal and the Company not being able to expand into new product lines or attracting new types of investors
   - Its risk management methods and insurance policies not being effective or adequate
   - Security risks and cyber-attacks
   - Insufficient systems capacity and system failures
   - Credit risk
   - Liquidity risk

5. RISK EVALUATION

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

6. RISK ESTIMATION

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences. Impact level on performance/profit – Both Threats and Opportunities.

7. REPORTING

1. Internal Reporting
   a) Audit Committee
   b) Independent Directors
   c) Board of Directors
   d) Vertical Heads
   e) Individuals

2. External Reporting
   To communicate to the stakeholders on regular basis as part of Corporate Governance

8. BOARD APPOVAL

The Action Plan and guidelines shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

- Risk Treatment

  Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for-
  a) Effective and efficient operations
  b) Effective Internal Controls
  c) Compliance with laws & regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.
Risk Registers

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Audit Committee and the Board.

9. MONITORING, REVIEW AND CUSTODY

This policy shall evolve by review by the Audit Committee, independent Director and the Board, at least once in two years and from time to time as may be necessary, in accordance with applicable law.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

This Policy may be amended or substituted by the Audit Committee or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy. However, no such amendment or modification will be binding on the Directors and employees unless the same is communicated in the manner described as above.

This policy shall be kept in the custody of Compliance Officer of the Company

This policy has been approved by the Board of Directors of the Company on July 26, 2021.