MASTER POLICY ON RISK, GOVERNANCE, AND INTERNAL COMPLIANCE

Regulatory Basis	RBI (Non-Banking Financial Companies – Governance) Directions, 2025
Approving Authority	Board of Directors
Review Frequency	At least annually and earlier where required

1. STATUTORY PREAMBLE, PHILOSOPHY & REGULATORY SCOPE

1.1 Governance Vision & Objectives

Comero Leasing and Financials Private Limited (hereinafter referred to as 'the Company') views risk management as an essential governance function integral to institutional sustainability, capital preservation, and asset quality. Classified within the Base Layer tier of Non-Banking Financial Companies (NBFC-BL), the Company operates under a structured risk governance framework designed to ensure prudent balance sheet expansion, rigorous loan appraisal, proactive liquidity management, and strict statutory compliance.

1.2 Scope and Operational Applicability

This Master Risk Policy applies across all operating divisions, credit delivery channels, customer interfaces, technology platforms, and financial operations of the Company. As an NBFC-BL entity maintaining customer interfaces, this policy enforces mandatory operational boundaries, prudential capital limits, and risk controls across all business functions.

1.3 Statutory Regulatory Framework Alignment

- This Master Risk Management Policy has been formulated and shall be implemented in accordance with all applicable statutory and regulatory requirements issued by the Reserve Bank of India (RBI), as amended, updated, revised or replaced from time to time, and other applicable laws, rules, regulations, directions, guidelines and regulatory instructions applicable to the Company. The Policy incorporates the applicable prudential, risk management, governance, asset classification, provisioning, concentration risk, outsourcing, information technology and cyber-security, fair practices, customer protection and other regulatory requirements relevant to the Company's business, scale and activities. The Company shall ensure that its risk management framework, systems, processes, controls and monitoring mechanisms remain aligned with the regulatory requirements applicable to it from time to time.

2. CORE RISK GOVERNANCE ARCHITECTURE

2.1 Operational Governance Structure

To ensure functional integrity, operational oversight, and effective risk management without imposing excessive administrative hierarchy, the Company adopts a streamlined governance architecture structured as follows:

- **Board of Directors (BoD):** Holds ultimate oversight and final accountability for risk appetite, capital allocation, and compliance frameworks.
- **Risk Management Committee (RMC):** Provides executive oversight for structural liquidity gaps, counterparty concentrations, credit quality trends, and operational risks.
- **Operating Units & Credit Functions:** Front-line underwriting, collections, treasury, and IT operations adhering strictly to established risk limits.

2.2 Mandate of the Board of Directors

- The Board of Directors shall have overall responsibility for establishing, overseeing and maintaining an effective risk management framework of the Company. The Board shall ensure that appropriate policies, systems, processes, controls and governance mechanisms are established for identification, assessment, monitoring, mitigation and management of all material risks arising from the Company's business and operations, in accordance with applicable regulatory and statutory requirements.
- Reviewing and approving the Master Risk Management Policy on an annual basis.
- Establishing the Risk Appetite Statement (RAS) specifying tolerance thresholds for credit loss, liquidity mismatches, and operational downtime.
- Evaluating structural liquidity reports, portfolio concentration risks, and major cybersecurity/operational incidents.

2.3 Risk Management Committee (RMC) Composition & Mandate

In alignment with RBI Base Layer (NBFC-BL) guidelines under the SBR Framework, the Board has constituted a Risk Management Committee (RMC):

- **Composition:** The RMC shall comprise a minimum of three (3) Directors appointed by the Board of Directors.
- **Meeting Frequency:** The Risk Management Committee shall meet at such frequency as may be prescribed under the Company's applicable regulatory requirements and Board-approved governance framework.
- **Core Mandate:** Reviewing quarterly Asset-Liability Management (ALM) gap reports, sector/counterparty exposure limits, Non-Performing Asset (NPA) trends, vendor risk audits, and IT security evaluations.

3. CREDIT RISK MANAGEMENT & ASSET CLASSIFICATION HARMONIZATION

3.1 Rigorous Credit Underwriting & Income Verification Standards

In compliance with prudent credit underwriting principles set forth in the RBI Master Direction, issued from time to time, credit evaluation must be based on verified financial data rather than unverified self-declarations:

- **Verified Income Assessment:** Borrower debt-servicing capacity must be established using verified documentation, including bank statement analytics (minimum 6 months), income tax returns, audited financial statements, or GST returns.
- **Obligation Ratios:** Underwriting teams must calculate and enforce maximum Debt Service Coverage Ratio (DSCR) and Fixed Obligation to Income Ratio (FOIR) benchmarks tailored to retail and corporate borrower profiles to prevent over-indebtedness.

3.2 Legal Entity Identifier (LEI) Mandate

Pursuant to RBI directives on Legal Entity Identifier (LEI) implementation, the Underwriting Team must obtain and verify an active LEI code for all non-individual corporate borrowers whose total aggregate credit exposure across the Indian financial system equals or exceeds ₹5 Crore. No new credit facility or renewal shall be sanctioned without a verified LEI.

3.3 Asset Classification and Provisioning

The Company shall comply with all applicable regulatory requirements relating to income recognition, asset classification, provisioning, identification of Special Mention Accounts (SMA) and Non-Performing Assets (NPA), as prescribed by the Reserve Bank of India from time to time. The Company shall ensure timely and appropriate classification and provisioning of its loan assets in accordance with the applicable regulatory framework, supported by adequate systems, controls, monitoring and reporting mechanisms.

4. Credit & Investment Concentration Risk

4.1. The Company shall maintain a comprehensive, Board-approved framework for management of credit and investment concentration risk in accordance with the applicable regulatory requirements of the Reserve Bank of India.

The Company shall establish and adhere to Board-approved internal concentration limits for:

(a) single borrower / party; and

(b) single group of borrowers / parties.

The computation of exposure for the purpose of such concentration limits shall be undertaken in accordance with the methodology prescribed under the applicable RBI regulatory framework.

The Company shall also review its consumer credit portfolio and prescribe, as part of prudent risk management, Board-approved limits for various sub-segments of consumer credit**,** including specific limits for unsecured consumer credit exposures. Such limits shall be strictly adhered to and monitored on an ongoing basis by the Risk Management Committee.

The Company may prescribe more conservative internal limits than the applicable regulatory requirements based on its risk appetite and business profile.

4.2 Connectedness between borrowers shall be assessed through voting control, common management, cross-guarantees, or direct economic reliance. Reciprocal funding arrangements or circular lending structures with other NBFCs or entities are strictly prohibited.

5. Liquidity Risk Management

The Company shall maintain an adequate framework for identification, measurement, monitoring and management of liquidity risk and shall ensure that sufficient liquidity is maintained to meet its financial obligations as they fall due. The Company shall comply with all applicable regulatory requirements relating to liquidity risk management, as prescribed by the Reserve Bank of India from time to time.

6. 6.1 Outsourcing of Core Management Functions

The Company shall not outsource core management functions, including but not limited to internal audit, strategic and compliance functions, and decision-making functions relating to sanctioning of loans, except where specifically permitted under the applicable regulatory framework.

6.2 Governance of Outsourced Financial Services

Where the Company outsources financial activities and its allied services, such outsourcing shall be undertaken in accordance with a comprehensive Board-approved outsourcing framework. Outsourcing shall not diminish the responsibility of the Company, its Board or Senior Management for the outsourced activity, and the Company shall retain ultimate control and responsibility over such activities.

The Company shall ensure that outsourcing arrangements do not impede the Company's oversight or the Reserve Bank of India's supervisory functions and shall incorporate appropriate provisions relating to confidentiality of customer information, access to records, audit and inspection rights, including access by the Reserve Bank of India, and protection of customer rights and grievance redressal mechanisms.

7. CYBER SECURITY, IT RISK & INCIDENT REPORTING

7.1 Information Technology and Cyber Security

The Company shall maintain appropriate information technology, cyber security and information security controls commensurate with the nature, scale and complexity of its business and in accordance with all applicable regulatory requirements prescribed by the Reserve Bank of India from time to time.

The Company shall establish appropriate mechanisms for identification, assessment, monitoring, mitigation and management of information technology and cyber security risks, including protection of information and systems, access controls, data security, business continuity and incident management, as applicable to its operations.

8. Related Party Lending and Transactions

The Company shall comply with all applicable regulatory and statutory requirements governing transactions and dealings with related parties, including loans and advances to Directors, relatives of Directors, Senior Officers and entities/persons covered under the applicable related-party framework. The detailed requirements, approval processes, restrictions and controls in this regard shall be governed by the Company's Board-approved Credit Policy and other applicable Board-approved policies, as amended from time to time.

9. Statutory Disclosures and Regulatory Reporting

The Company shall make all disclosures in its financial statements, Annual Report and other regulatory filings as required under the applicable laws, rules, regulations and directions issued by the Reserve Bank of India and other competent authorities, as amended or updated from time to time.

The Company shall ensure that all applicable regulatory returns, statements, disclosures and information required to be submitted to the Reserve Bank of India are prepared accurately and submitted within the prescribed timelines.

POLICY REVIEW AND REGULATORY COMPLIANCE

The Master Risk Management Policy shall be reviewed by the Company from time to time to ensure its continued adequacy and alignment with the applicable statutory and regulatory requirements, including any amendments, modifications or directions issued by the Reserve Bank of India.

The Policy shall be placed before the Board of Directors for approval/review in accordance with the Company's applicable governance framework.

The Company shall ensure timely and accurate submission of all applicable regulatory returns, statements, information and disclosures required to be furnished to the Reserve Bank of India or any other competent authority, within the prescribed timelines.