



Risk Management Policy

RISK MANAGEMENT POLICY

BACKGROUND:

In accordance with the Reserve Bank of India's guidelines outlined in the Master Direction for Non-Banking Financial Companies (NBFCs) - Non-Systemically Important Non-Deposit Taking Companies (RBI Directions) issued on September 1, 2016, as well as the Scale-Based Regulations issued on October 19, 2023 and any subsequent amendments, each NBFC's Board is required to approve a Risk Management Policy. This policy should be relevant to the company's operations and should consider various factors, including the identification of both internal and external risks specific to the listed entity. These risks encompass financial, operational, sectoral, sustainability, information, cybersecurity risks, and any other risks as determined by the Committee.

Keeping in view the RBI Guidelines as cited above, the following internal guiding principle are therefore laid out by the Board of Directors of Pioneer Financial & Management Services Limited (the "Company"). This policy should always be read in conjunction with RBI guidelines, directives, circulars, and instructions.

OBJECTIVE:

The aim of this policy is to deal with unforeseen and unintentional losses that may affect the company's human resources and financial assets, all while avoiding unnecessary constraints on activities that support the company's mission and objectives. The company has implemented robust risk management systems to handle various risk-related issues. Effectively managing risk is crucial for the ongoing development of the company.

DEFINITIONS:

"Board" means Board of Directors of the Company.

"Company" means Pioneer Financial & Management Services Limited.

"Directors" the Directors to include all the Executive, Non-executive and Independent Directors of the Company.

"Senior Management" The Key Managerial Personnel of the Company and the employees who are categorized as the Senior Management by the Audit Committee of the Company.

"Policy" means Risk Management Policy.

"RBI" means Reserve Bank of India.

RISK MANAGEMENT FRAMEWORK:

A Risk Management Framework for Pioneer Financial & Management Services Limited outlines a structured approach to identifying, assessing, mitigating, and monitoring risks that the company may face. Here are the key components of a typical Risk Management Framework for an NBFC.



TYPES OF RISK:

Strategic Risk	This risk is related to the overall business strategies and the related economic/business environment
Operational Risk	Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies, outsourcing of activities to vendors.
Market Risk	Risks related to changes in various markets in which the Company operates.
Financial Risk	These risks includes movement in interest rates and also liquidity risks inherent to the business
Reputational Risk	Where the practices followed by the Company are not in consonance with industry as well as internally prescribed standards.
Credit & Concentration Risk	Where the overall industry has considerable exposure to one service provider and hence the NBFC may lack control over the service provider.
Regulatory & Compliance Risk	Where privacy, consumer and prudential laws are not adequately complied with by the service provider
Human Resource Risk	Where the employee related factors are not handled cautiously such as safety, security, compensation, etc.

POLICY:

The company acknowledges that effective risk management is a fundamental catalyst for growth and an essential component in elevating corporate governance. Consequently, the Board has crafted the following Risk Management Policy:

- **Vigilance for All Risks:** The company is committed to continuously identify and address both direct and indirect risks that may impact its operations.
- **Protecting Shareholders' Interests:** We are dedicated to safeguarding the rights and values of our shareholders by establishing a well-structured Risk Management Framework.

- **Optimizing Risk Management Tools:** We will carefully select, maintain, and enhance the tools and methods employed in risk management. These tools will provide valuable insights that inform and support investment decisions throughout the entire organization.

MITIGATION OF RISK:

Pioneer mitigates the day to day risks with the following ideologies:

- **Compliance with Fair Practices Code:** All employees are trained and instructed to follow fair practices as per RBI prescribed guidelines in all their dealings with the customers.
- **Grievance Redressal Mechanism(GRM):** The Company has a defined GRM in place and the same is communicated to all customers at the time of sanction of loan. This is also available on the website of the Company.
- **Delinquency Management:** The Company does not resort to any coercive recovery practices and all recoveries are made in accordance with the Recovery policy and Fair Practice Code of the Company.
- **Legal Obligations:** All employees, vendors and associates are required to sign legal contracts wherein specific clauses related to non-disclosure are entered so as to ensure the Company from any reputational risks.
- **Market Risk:** Management regularly reviews its business model including the areas it wants to operate. The management carries out regular competitive analysis of its peers in the industry so as to remain in competition and change its markets if required.
- **Whistle Blower/Fraud Prevention Policy-** The Company encourages all its employees to report any non-compliance of stated company processes or policies without fear. We have a formal policy that details the manner in which such issues are handled – background investigation. All issues reported are categorized for nature and severity:
 - Financial or Non-Financial
 - Major or Minor
 - Procedural Lapse or Gross Violation
 - Breach in Process or Disciplinary Issue
- **Technology Infrastructure:** At the facilities where back office and financial operations take place, alternate/back-up connectivity has been provisioned such that in the event connectivity is lost with one service provider, the alternate connection can be utilized.
- **Financial Risk:** Measuring and managing liquidity needs are vital for effective operations of an NBFC. The Company has constituted Asset and Liability

Committee (ALCO) to identify any short term liquidity gaps and thereby take immediate corrective actions to bridge the same

- **Credit Risk:** A strong credit risk management process helps in containing the portfolio quality of the company. Key elements of the credit risk management include a structured and standardized credit approval process supported by a strong system, effective training programs, legal and technical due diligence, monitoring and a robust credit risk management strategy at a senior management level.
- **Compliance Risk:** The responsibility for ensuring compliance with regulatory requirements and directives on a day-to-day basis rests with the Heads, who will comply with the Compliance requirements of the Company. The Internal Audit function assures audit of the compliance levels. Relevant Committees of the board provide oversight for the management of these compliances.

RISK MANAGEMENT COMMITTEE:

Having established a framework to manage risk; it is imperative that it be monitored religiously. The Company would monitor the same by conducting adequate risk reporting to its various committees and the Board. The reporting would be done by members of the Risk Management Committee who shall be the directors or senior management of the Company .

REPORTING:

The Company's reporting process will adapt in response to changing requirements and the evolving best practices in risk management. On an annual basis, the reporting content will encompass a risk profile that outlines the most critical risks confronting the Company. For each of these risks, the reporting will include the following:

- A clear description of the risk.
- Comprehensive documentation of the essential activities and controls implemented to mitigate and manage the risk.
- Identification of any remaining or residual risk.
- Reference to any action plans in place to rectify any vulnerabilities or weaknesses in risk management.
- The formulation of a risk appetite statement for each key strategic risk.

OTHERS

The Board is hereby authorized to review the Risk Management Policy of the Company on a periodical basis, so as to keep the same updated as per the market/ regulatory trends in the Country.