Policy on Risk Management

1. Introduction

Obsidian Investment Private Limited is a Unlisted Company and financial service providers in India primarily into stock broking.

The Policy is formulated in compliance with provisions of the Companies Act, 2013 ("**the Act**"), which requires the Company to lay down procedures about risk assessment and risk minimization.

The Company's Risk Management Policy ("**the Policy**") aims to ensure appropriate risk management across the business verticals of the company and its subsidiaries.

2. Definitions

a. "**Board**" means the Board of Directors of Obsidian Investment Private Limited .

b. "**Company**" means Obsidian Investment Private Limited.

c. "**Risk**" is defined as the chance of a future event or situation happening that will have an impact upon the company's objective favorably or unfavorably. It is measured in terms of consequence and likelihood.

d. "**Risk Management**" encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment, and monitoring.

e. "**Risk Classification**" Risk classification is the process of categorizing risks based on their characteristics or attributes to facilitate better understanding, prioritization, and management of those risks.

3. Objectives

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organization to put in place effective frameworks for taking informed decisions about risks. Main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating

and resolving risks associated with the business and to minimize the adverse consequence of risks on business of the company.

4. Risk Assessment & Controls/Scope

The Company has in place a robust and well defined risk assessment and control policy where the Company has identified risk owners, who is actively responsible for risk management.

This Policy caters to both product & business specific guidelines and works within the overall risk.

1) This policy is meant to ensure to mitigate or minimize potential risks to the business to an acceptable level and thus covers all activities within the company and events external to the company keeping in mind of the present business profile, future growth objectives and new business services that may be necessary to achieve the objectives of the company.

   The Risk Management Policy is documented in conjunction with the Risk Management Procedure, which covers below: -

   a) Risk Management Framework
   b) Risk Management Structure
   c) Risk Assessment Criteria
   d) Categorization of Risks
   e) Risk Management Procedure

2) To achieve the key objective of delivering quality and reliable services, this Policy establishes a structured and disciplined approach to Risk Management, to guide decisions on risk-related issues. These include:

   a) Identifying and assessing the risks.
   b) Optimizing Strategic, Operational & Financial efficiency.
   c) Preparedness for contingency or occurrence of unforeseen events.
   d) Mitigation of risks to an acceptable level / eliminate adverse impact of risk on operations.
   e) Improving decision-making, planning, and prioritization by a comprehensive and structured understanding of business activities, volatility and opportunities / threats.
   f) Protecting and enhancing assets and company image.
   g) Continuous monitoring of the business environment and evaluation of potential events which may lead to adverse impact on the company's operations or image.

h) Training concerned stakeholders for ensuring the existence and effectiveness of mitigation measures against risks associated with respective functions.
i) Enable concerned stakeholders to identify risk triggers for potential / identified risk.
j) Accountability and Responsibility amongst various stakeholders for ensuring the effectiveness and existence of mitigation measures.

5. Risk Management Framework

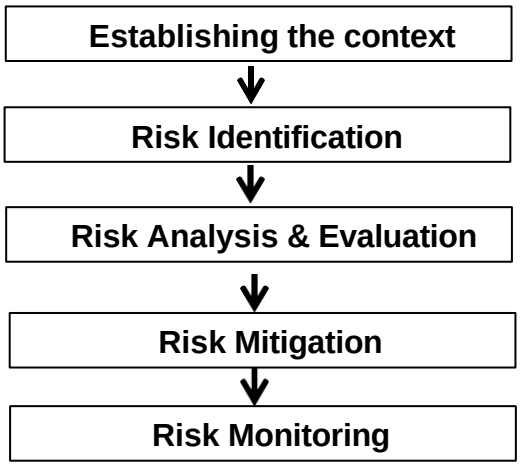
a) Define and Develop a Risk Management Framework:

Risk management will protect and add value to the organization and its stakeholders through supporting the organization's objectives by improving decision making, planning and prioritization by comprehensive and structured understanding of business activity, volatility and predict opportunity / threat.

It will provide a framework that enables future activity to take place in a consistent and controlled manner. The framework will help in creating an environment in which risk management is consistently practiced across the Company and where management can take informed decisions to reduce the possibility of surprises.

A risk management framework is a set of references and tools that management as decision-makers will rely on to make decisions about how to mitigate risk.

b) The Company's approach to risk management is summarized as below:



c) Establishing the context:

It includes the process of gathering and analyzing the internal and external information and parameters to be taken into consideration for defining risk category, risk parameters and mitigation measures including the organizational objectives and stakeholders goals etc. to provide a comprehensive understanding of the risk.

d) Risk Identification:

This stage involves the identification of sources of risk (i.e., internal/external), areas of impact, events (including changes in circumstances), their causes and triggers.

The objective of this step is to prepare a comprehensive list of risks based on potential / existing events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of goals and objectives.

Risk identification is most essential since a risk that is not identified at this stage will not be included in further analysis until the occurrence of an unforeseen event and that would lead to detective or corrective actions rather than preventive measures being undertaken.

e) Risk Analysis and Evaluation

Risk Evaluation is done based on the outcome of risk analysis for risk mitigation and prioritization for action.

The risk evaluation process would determine which risks need treatments and how treatments can be prioritized towards those risks.

f) Risk Mitigation:

Post risk identification and analysis, the mitigation measures are defined and documented against each of the risks, along with risk owner, who is responsible for ensuring the effectiveness and existence of said measures. Further, the below alternatives based on thorough analysis are evaluated:

I. Acceptance of the risk (where it is assessed the risk is acceptable).
II. Avoiding the risk (presents a greater risk through lost opportunity).
III. Mitigating the risk (through controls and procedures).
IV. Avoiding the risk (by stopping the activity).
V. Transferring the risk
VI. Financing the risk (through insurance arrangements wherever applicable).

This further includes the development of specific strategies and action plans to mitigate each identified risk. The strategies can vary depending on the nature of the risk. This stage involves the assignment of responsibilities and timelines for implementing the identified mitigation strategies and ensuring that individuals or teams are accountable for executing the action plan effectively.

g) Monitoring:

The Company's Risk Management Framework requires a continuous cycle of implementing, monitoring, reviewing, and managing the risk management processes.

6. Risk Management Approach

Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its risks, including any material changes to its risk profile. The risk methodology adopted has the following two facets to it:

A "Top-Down" system, whose objectives are to distill insights and provide clarity on the KEY RISKS, support risk-informed decisions, ensure a risk dialogue among the management team and enable proper risk oversight by the Board.

A "Bottom-Up" system whose objectives are to ensure a comprehensive risk identification and prioritization of important risks, define and follow risk policies and processes that control daily decision making throughout the company and ensure a robust risk culture company-wide.

To achieve this, the Company has clearly defined the owner or responsible persons in the management for risk identification and their mitigation. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

7. Risk Profile

In order to identity and assess material risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

The Company majorly focuses on the following types of material risks:

i. Business risk including product risk;

ii. Market risks;
iii. technology (including cyber-Security) risks;
iv. Human resource risks;
v. Financial Risk;
vi. ESG related risks;
vii. Legal / regulatory risks; and
viii. Operation Risk

8. Roles and Responsibilities

ROLES

i. To assess the Company's risk profile and key areas of risk in particular;
ii. Ensuring effective risk oversight and effective risk management framework in conjunction with laid down risk management procedure aligned with goals and objectives;
iii. To recommend the Board and adoption of risk assessment and rating procedures;
iv. To assess and recommend the Board acceptable levels of risk;
v. To articulate the Company's policy for the oversight and management of risks;
vi. To define or formulate the strategy by way of any of the following:

- Avoidance - Not to start or continue with the activity that gives rise to the risk
- Reduction - Mitigation of risk
- Transfer - Outsource or Insure
- Retention - Accept the risk

vii. Ensuring existence and operating effectiveness of top - down and bottom – up methodology for appropriate risk reporting; and
viii. Periodic training and update about Enterprise Risk Management ensuring existence of Tone at The Top.

RESPONSIBILITY

i. To review existing risk assessment criteria and categorization for internal and external risks and recommend changes therein to risk head/owner;
ii. To review changes in risk register and identification of new risks;
iii. To develop risk register as per risk management framework for organization as a whole and periodic review of risk register and suggest any changes in risk register;
iv. To monitor the environment within which the risk exists to identify issues which may affect the company, its impact on the company or likelihood of its arising;

v. To provide assurance that risk management policy and framework of the company are operating effectively;
vi. To develop risk mitigation measures and assessing adequacy of mitigation measures for the risks identified;
vii. To ensure existence and operating effectiveness of mitigation measures against risks identified;
viii. To exercise oversight of management's responsibilities, and review the risk profile of the company to ensure that risk is not higher than the risk appetite determined;
ix. Ensure adoption of robust Risk Management Framework, continuous monitoring of Risk Management Framework, recommend changes as per prudent industry practice and benchmarking the same;
x. To assist or recommend the Board in setting strategies, policies, Risk Management Frameworks, models and procedures;
xi. To review the Scope of Work and direct internal audit team in review of Enterprise Risk Management as an audit activity annually;
xii. To present the half yearly report based on the inputs in the KMPs to the Audit committee;
xiii. Conduct training and awareness sessions of relevant stakeholders towards Risk Management Framework and its existence and operating effectiveness; and
xiv. Perform other activities related to risk management as delegated by the Board of Directors or to address issues related to any significant subject within its term of reference.

9. Risk Management System

The Company has always had a system-based approach for business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- Well defined policies and procedures,
- Independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures.

10. Risk Management Procedure

The Risk Management Procedure as defined by the board from time to time.

11. Review / Amendment of the Policy

The Policy will be reviewed on a need basis, but not later than 2 years from the date of previous review by the Board, The Board, either on its own can amend this Policy, as and when it is deemed necessary. Any or all provisions of this Policy would be subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of

any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

POLICY FOR LIMIT SETTING

In terms of Exchange requirements the company has decided to implement the policy for setting up of trading limits on the exchange terminals. Accordingly the following policy shall be followed while setting up of limits:

1. **Branch Buy/Sell Limits**

    a. In Equity Segment Branch Buy Value and Branch Sell value limits shall be set by the Corporate Manager.
    b. In F&O Segment and in CDS Segment Branch Buy Value and Branch Sell value limits shall be set by the Corporate Manager for both Futures and options.

2. Dealer Buy/Sell Limits
    a. In Equity Segment Dealer wise Buy / Sell Value limits shall be set by the Corporate Manager.
    b. In F&O Segment and in CDS Segment Buy/Sell Value Limits shall be set by Corporate Manager .

3. Order Value Limits

    Apart from setting up of branch / terminal wise limits, Corporate Manager shall set Order value limits for both maximum order quantity and maximum order value.

4. In equity segment Corporate manager may also set up symbol wise limit for each scrip as and when the corporate manager may deem fit since it is not practicable to set and modify such limit in all cases.

5. Corporate manager shall review these limits from time to time and in case any amendment is made in existing limits, record of such modification shall be maintained. Corporate manager shall ensure that none of the limits mentioned above has been set as Unlimited.

Trading Limits :

Limits are allowed to the trader as per margining norms of the relevant exchanges.

Traders are provided margin fund / securities (after appropriate haircut as prescribed by Exchange from time to time) before punching any trade.

Policy for Securities Operations and Risk Management Module
(NISM Series VII) Certification

"Supervisory Persons who are involved in, or deal with, any of the below mentioned functions are required to have a valid NISM Series VII Certification:

(a) Internal control or risk management, and
(b) Activities having a bearing on operational risk

Accordingly, the Board of directors of the company has decided that NISM Series VII Certification – Securities Operations and Risk Management Module shall be obtained by persons holding following positions namely:

- Traders Operating on their respective trading id
- Compliance Officer
- Rms Head

There may be situation where one person is heading more than one department (out of above-mentioned departments), in such case the person heading such departments shall obtain the required certification.