MOPSHOP DISTRIBUTION LIMITED

Risk Management Policy

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1. Introduction

This risk management policy ("**Policy**") has been adopted pursuant to Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) ("**Listing Regulations**"), and Section 134(3)(n) and other applicable provisions of the Companies Act, 2013 (as amended from time to time).

MOPSHOP DISTRIBUTION LIMITED (herein after referred as "**our**" or "**we**" or " **MOPSHOP** " or the "**Company**") has drafted this Policy for proactive management of risks in pursuit of the company's business goals. This Policy is intended to ensure that an effective risk management framework is established and implemented within the Company and to provide regular reports on the performance of that framework, including any exceptions, to the board of directors (the "**Board**") of the Company.

This Policy covers:

1. Risk management objectives
2. Defines risks and establishes usage of common risk language of the company
3. Defines the governance model for the implementation of this Policy as well as responsibility for risk decisions and risk management
4. Defines the first second and third lines of defence for management of risks
5. Defines risk appetite and sets exposure limits.

Accordingly, the Board has adopted this Policy at its meeting held on 2 September 2025, which can be amended from time to time.

2. Annual review and renewal, Policy owner and approving authority

This policy will be reviewed at least annually or earlier in case of any business need and to ensure compliance with the Companies Act, 2013 and applicable rules, subject to Board approval. The MOPSHOP Risk and Compliance shall be the policy owner.

3. Objectives of the Risk Management Policy

The following are the objectives of this Policy:

1. To establish the clear accountability and ownership of risks
2. To develop a common risk language
3. To clearly identify the risk exposures
4. To integrate the risk management into the Company's culture
5. To document and monitor various risk triggers that may affect organization's performance / operations.

4. Risk Management Principles

Here are the key principles of this Policy

1. Governance
    a. Business areas that take the risk are accountable for managing the risk. All employees understand the nature of risk and accept responsibility for risks associated with their area of operation;
    b. Risk management committee periodically monitors whether the risk exposures are within the board approved risk appetite;
    c. Risk management committee in the organization provides the guidance to manage risks;
    d. Internal audit provides the assurance of adequacy of risk management; and
    e. Review by external parties including statutory auditors also gives insight on the various risks the Company may be exposed to.

2. Risk Process
    a. Integrated: Risk management is an integral part of all organizational activities including decision making;
    b. Structured and comprehensive approach is adopted for consistent and comparable results. Risk is managed through a proactive approach that is built into the business process and is supported by a comprehensive self-assessment;
    c. Customised and Dynamic: Company shall regularly monitor changes in internal and external context to ensure risk management framework remain appropriate to the context of the organization or any changes are required;
    d. Continual Improvement: Risk management is a continuous activity and it is continually improved through learning and experience;
    e. Best available information: Risk management function enables the business and senior management take informed decisions through direction, tools and aggregation and analysis of best available information; and
    f. Human and Cultural Factor: The Company shall consider human and cultural factor, wherever applicable in the risk management approach.

3. Culture
    a. A culture of risk transparency (i.e. the identification, reporting and sharing of risk information across the organization), disclosure and open dialogue with the goal of "no surprises" is encouraged and re-in forced across the organization.

4. Policy Statement
    a. The Policy discusses the broad and significant risk areas that could adversely affect the achievement of Company's goals;
    b. The Policy shall provide reasonable assurance to the Board in mitigating the risks; and
    c. Company shall establish a control environment within the organization that emphasizes and demonstrates the importance of internal controls and risk mitigating actions to personnel at all levels in the organization.

5. Risk Management Process

Effective risk management requires identification, assessment, mitigation, monitoring and reporting of risks. Further, the Company has in place the Board approved policies which assist in risk identification, measurement and monitoring.

a. Identification and assessment
   Risk identification is carried out on a regular basis and draws on a combination of internal and external factors. This shall be the result of a self-assessment process where risks are recorded. Risk measurement is done basis a combination of its severity, related control environment and the probability of occurrence.

b. Mitigation and monitoring
   Monitoring ensures that the risk management and mitigation approaches (accept, avoid, transfer, control) are in place are effective. Monitoring may also identify risk-taking opportunities. There shall be regular monitoring of risk exposures against risk appetites, as well as key risk indicators against operating and financial risk limits and tolerances. The effectiveness of controls in place to manage operational risks, including compliance with the regulatory guidelines and internal defined standards shall also be monitored.

c. Reporting
   Reporting of the key risks to the organization shall be done to the Risk management Committee on an annual basis.

d. Risk management policies
   i. Compliance policy;
   ii. Information security policy;
   iii. Fraud risk management policy; and
   iv. Outsourcing policy.

6. Risk Management Framework

Risk management is a continuous process. The risk management framework for the Company supports a sound system of internal control, contribute to effective corporate governance and assist in fulfilling risk reporting requirements.

Risk Governance Structure

The Board shall establish, approve and periodically review the framework. The Board shall oversee senior management to ensure that the policies, processes and systems are implemented effectively at all decision levels.

The Board shall approve and review a risk appetite and tolerance statement that articulates the nature, types, and levels of risk that the organization is willing to assume.

Senior management shall develop for approval by the Board a clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility. Senior management is responsible for consistently implementing and maintaining throughout the organisation policies, processes and systems for managing risk in all of the organization's material products, activities, processes and systems consistent with the risk appetite and tolerance.

Further, the segregation of responsibilities and duties would be across the 'three lines of defence' model, whereby front-office functions, risk management department ("**RMD**") and Internal audit roles are played by functions independent of one another.

The Risk department/ function shall have appropriate representation on management committees of MOPSHOP, and its respective businesses to ensure risk view is taken into consideration in business decisions, monitoring, stress testing tools and escalation processes shall be established to monitor the performance against approved risk appetite.

The Board have empowered the Risk Management Committee ("**RMC**") to oversee the establishment of a risk culture in the organization.

The objectives of the RMC will be:

- Approve / recommend to the Board for its approval / review of the policies, strategies, and associated frameworks for the management of risk;
- Oversight on existing and emerging risks the organization is facing;
- To oversee and monitor the implementation of all risk related policies in the organization;
- Review such key risk metrics agreed to with management and performance against such metrics;
- To have an oversight on the implementation of new regulatory requirements
- Review and monitor fraud and AML risks;
- To monitor and review non-compliance, limit breaches, audit/regulatory findings and Policy exceptions with respect to risk management;
- To ensure regulatory compliance on risk management and applicable regulatory directions set by RBI/ NPCI/ Govt. / Other regulatory agencies;
- To identify areas of risks as also various types of risks involved in the business;
- To suggest methodologies to measure / quantify the risks; and
- To control and mitigate various types of risks involved.

Frequency of the meeting: Meeting shall be held at least once in a quarter and its proceedings shall be submitted to the board of directors of respective entity in their next meeting.

6. Risk Appetite

The Company acknowledges risk taking as a fundamental characteristic of providing financial services. It is inherent to the Company's business and arises in every transaction undertaken by the Company. The Company utilises its risk capacity judiciously in pursuit of its strategic goals and risk objectives, including but not limited to adequate capital levels, liquidity management, regulatory compliances, etc.

Risk appetite is the level of risk that an organization is willing to accept while pursuing its objectives, and before any action is determined to be necessary in order to reduce the risk.

Risk appetite sets a clear strategic direction and sets tolerances in pursuit of earnings, adequate capital and shareholder's value.

The risk appetite statement takes into consideration the following factors:

a. Company's goals and strategic objectives;
b. Reports from the internal and external auditors;
c. Risk assessments; and
d. External business environment and socio-economic factors.

7. Risk Management Structure

MOPSHOP has adopted the "3 LINES OF DEFENCE MODEL" for management of its risks.

The **1st Line of Defence** will be the Business and Support Units that will own the risks and manage the same, as per laid down risk management guidelines. The primary responsibility for managing risks on a day-to-day basis will continue to lie with the respective business units of the Company.

The **2nd Line of Defence** will be the Risk Management Department that would support the 1st Line of Defence by drawing up suitable risk management guidelines from time to time to be able to manage and mitigate the risks of the Company.

The **3rd Line of Defence** will be the Audit Functions – primarily the Internal Audit functions that are supported by External Audits. The 3rd Line of Defence focuses on providing the assurance that the risk management principles/policies and processes well entrenched in the organisation and are achieving the objective of managing the risks of the organization.

The Company has set up a Risk Management Department headed by the Head Risk and Compliance for the purpose of managing risk related issues across the organization.

The Risk Management Department will be an advisory guide to all business units of MOPSHOP. The RMD will help in translating the risk framework and Policy of MOPSHOP into the respective business process and to ensure that it is adopted and embedded in the daily workings of the organisation. It will continue to monitor the same from a central perspective and consolidate the findings and present it to RMC.

8. Key Risks faced by MOPSHOP

MOPSHOP recognises the following as the key risks faced by the organization:

1. Strategic Risk;
2. Operational Risk;
    a. Fraud Risk;
    b. Loan Default Risk
    c. Information Security and Cyber Security Risk;
    d. Technology Risk;
    e. Product Risk;
    f. Business Resilience Risk; and
    g. Legal Risk.
3. Compliance Risk;
4. Human Resource / Talent Risk;
5. Vendor / Outsourcing Risk; and
6. Reputation Risk.

9. Amendment

The Board is, subject to applicable laws, entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this Policy and of any relevant applicable law, such applicable law in force, from time to time, shall prevail over this Policy.