

RISK MANAGEMENT

Building Resilience. Protecting Stakeholder Value.

AFSL operates in a dynamic and highly regulated financial environment. For managing client capital, strong risk management is a foundation to sustain stakeholder trust, regulatory compliance and long-term performance. Risk Management at AFSL is not merely a support function—it is embedded across all levels of decision-making, enabling us to proactively manage uncertainty, align with global best practices, and deliver on its performance and governance commitments.

Integrated and Proactive Risk Governance

AFSL views risk management as a strategic enabler, designed to support informed decision-making, operational stability, and investment discipline. Our Enterprise Risk Management (ERM) framework is tailored to our area of functioning and covers market, liquidity, credit, operational, legal, regulatory, reputational, and cybersecurity risks.

Risk management activities are centrally governed but locally implemented to ensure relevance across jurisdictions. Senior management, business heads, and functional leaders are

actively involved in risk identification, assessment, and mitigation, fostering a culture of accountability and responsiveness.

A mature feature of our approach includes the capture and review of “near-miss” incidents. These are analysed for lessons, leading to improved controls, process enhancements, and better preparedness. This institutional learning loop enhances the resilience of our business and supports strategic oversight by the Board.

Risk Governance Framework

AFSL's risk management framework is structured around four key pillars:

Risk Identification

We conduct regular assessments across portfolios, products, vendors, and markets to identify both existing and emerging risks. Engagement with internal stakeholders and market intelligence helps in surfacing vulnerabilities early.

Risk Measurement

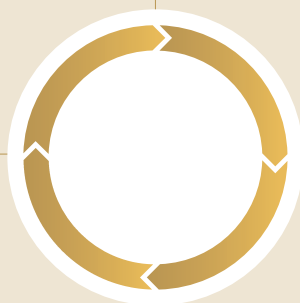
We apply quantitative tools such as Value-at-Risk (VaR), liquidity coverage ratios, stress testing, scenario analysis, and performance attribution to assess risk exposures at both the portfolio and enterprise levels.

Monitoring and Reporting

Risk dashboards, exposure analytics, and exception reports are reviewed by senior management, risk committees, and the Board. Material issues are escalated through formal governance protocols.

Risk Mitigation

Limits are defined for exposures, counterparty concentrations, liquidity buffers, and operational activities. Investment guidelines and pre-trade controls are embedded into workflows to ensure discipline.



Key Risk Areas

Market and Investment Risk

Market movements, interest rate volatility, credit events, and sectoral exposures can impact portfolio performance. These risks are mitigated through asset diversification, active allocation strategies, investment limits, and ongoing portfolio analytics.

Liquidity Risk

Redemption pressures or mismatches between portfolio liquidity and fund structure can impair fund performance. Liquidity stress testing and alignment of fund terms with underlying asset liquidity are key controls.

Operational Risk

Breakdowns in internal processes, systems, or external service providers can affect investor outcomes. We mitigate these through process automation, reconciliations, disaster recovery planning, vendor risk assessments, and regular control testing.

Regulatory and Compliance Risk

Operating across jurisdictions exposes AFSL to diverse regulatory frameworks (e.g., SEBI, RBI, IFSCA, FSc). A proactive compliance function ensures regulatory tracking, policy implementation, training, and audit readiness.

Cybersecurity and Technology Risk

Increased digitalisation and remote operations elevate cyber and data breach risks. AFSL's cybersecurity framework includes endpoint protection, identity and access management, threat monitoring, and defined incident response protocols.

Reputational Risk

Reputation risk may arise from operational failures, regulatory breaches, or poor communication. Our governance structure, disclosure standards, and client-centric culture help proactively manage reputational exposures.

Risk Ownership and Culture

Risk ownership is embedded within business lines, supported by second-line risk and compliance functions. Independent assurance is provided through internal audit. Senior management and the Board Risk Committee receive periodic updates on key risk metrics, compliance matters, and remediation status.

Conclusion

AFSL's risk management function plays a critical role in supporting business continuity, regulatory compliance, and long-term performance. Our disciplined and forward-looking risk culture enables us to navigate uncertainty while upholding the highest standards of governance and fiduciary responsibility.

