JSW INVESTMENTS PRIVATE LIMITED

RISK BASED INTERNAL AUDIT POLICY
(RBIA Policy)

Formulated in accordance with:
RBI Circular No. DoS.CO.PPG./SEC.04/11.01.005/2020-21 dated January 07, 2021
RBI Circular No. DoS.CO.PPG./SEC.05/11.01.005/2020-21 dated February 03, 2021

Approved by the Board of Directors / Audit Committee of the Board
Date of Approval: 24th March 2026

POLICY DETAILS

Policy Name	Risk-Based Internal Audit (RBIA) Policy
Company	JSW Investments Private Limited
Version	1.0
Effective Date	24th March 2026
Approved By	Audit Committee of the Board / Board of Directors
Review Frequency	Annual
Regulatory Reference	RBI Circular No. DoS.CO.PPG./SEC.04/11.01.005/2020-21 dated January 07, 2021 & DoS.CO.PPG./SEC.05/11.01.005/2020-21 dated February 03, 2021

- **PURPOSE**

The role of Internal Audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. Under Risk-Based Internal Audit **("RBIA")**, the focus is on prioritisation of audit areas and allocation of audit resources in accordance with assessed risk parameters.

This RBIA Policy for JSW Investments Private Limited (**"JSWIPL"** or **"the Company"**) has been formulated taking into consideration:

- RBI Circular No. DoS.CO.PPG./SEC.04/11.01.005/2020-21 dated January 07, 2021 on 'Risk Based Internal Audit (RBIA) Framework – Strengthening Governance arrangements';
- RBI Circular No. DoS.CO.PPG./SEC.05/11.01.005/2020-21 dated February 03, 2021;
- The Company's overall governance and internal control framework; and

This Policy shall come into effect immediately upon approval by the Board of Directors and shall remain in force until revised. The Policy shall be reviewed at least annually by the Head of Internal Audit and placed before the Audit Committee of the Board **("ACB")** / Board for approval.

- **OBJECTIVE**

The objectives of the Internal Audit function at JSWIPL are:

- To ascertain compliance with statutory, regulatory and legal requirements applicable to the Company;
- To ascertain compliance with internal policies, procedures and norms laid down by the Company;
- To determine that the integrity, security and controls in information systems are maintained at acceptable standards;
- To advise management of any deficiencies in processes, procedures, systems and business functions;
- To identify deficiencies in the internal control system and recommend remedial procedures to address control gaps;
- To evaluate the effectiveness of risk management processes and governance practices of the Company;
- To promote accountability, transparency and ethical conduct within the organization; and
- To provide independent and objective assurance on the adequacy and effectiveness of the Company's overall control environment.

- **SCOPE**

The scope of internal audit specifically includes:

- Reviewing systems established by management to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact on operations, and determining whether the Company is in compliance;

- Reviewing means of safeguarding assets and, as appropriate, verifying the existence of assets;
- Reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals, and whether operations are being carried out as planned;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Investigating and reporting on violations of policies and procedures, errors, fraud or misuse of Company assets;
- Reviewing and appraising the economy and efficiency with which resources, including IT and technology resources, are employed;
- Reviewing related party transactions, investment decisions and compliance with applicable CIC regulations;
- Assessing information systems audit (IS Audit) using a risk-based approach; and
- Any other area as may be directed by the ACB / Board or Senior Management from time to time.

- **AUDIT DEPARTMENT**

The Internal Audit Department **("IAD")** shall be an independent department with sufficient authority, stature, independence and resources within the Company, thereby enabling internal auditors to carry out their assignments with objectivity.

- Neither the Head of Internal Audit **("HIA")** nor any Internal Auditors shall have any reporting relationship with the business verticals of the Company;
- Internal Auditors shall not assume operational responsibilities and shall not be given any business targets;
- Persons transferred to or temporarily engaged by the Internal Audit function should not be assigned to audits of activities that they previously performed until a reasonable period of time has elapsed;
- The IAD shall be headed by the HIA with independent reporting to the Audit Committee. The HIA shall be a senior executive of the Company who shall have the ability to exercise independent judgement;
- The HIA shall be appointed for a reasonably long tenure, preferably for a minimum of three years, to ensure continuity and institutional knowledge of the audit function; and
- Remuneration of internal audit staff shall not be linked to the financial performance of the business lines for which they exercise audit responsibilities, so as to avoid conflict of interest.

- **OUTSOURCING OF INTERNAL AUDIT**

The internal audit function shall not be outsourced as a matter of general practice. However, in absence of required manpower strength or requisite skillsets, specific Internal Audits may be outsourced by the HIA in consultation with the Managing Director / CEO, subject to:

- The ACB being assured that such expertise does not exist within the audit function of the Company;
- Due diligence being performed to satisfy that the outsourcing vendor has the necessary expertise to undertake the contracted work;
- The contract specifying the scope and frequency of work, reporting arrangements, liability provisions, storage of work papers, and access rights;

- Ownership of all audit reports in such cases resting with regular functionaries of the internal audit function; and
- Any conflict of interest being recognised and effectively addressed.

A contingency plan shall be in place to mitigate any discontinuity in audit coverage in the event of the sudden termination of an outsourcing arrangement. The HIA shall periodically review the work performed by any outsourced vendor for reliability, accuracy and objectivity.

- **AUTHORITY**

Members of the Internal Audit function engaged in internal audit work are entitled to receive whatever information or explanations they consider necessary to fulfil their responsibilities. Internal Audit staff shall:

- Have unrestricted access to all departments, offices, activities, records, information systems, properties and personnel relevant to the performance of audit functions;
- Have full and free access to the Audit Committee of the Board;
- Have the authority to communicate with any staff member and access all records or files necessary to carry out entrusted responsibilities;
- Allocate audit resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives;
- Not perform any operational duties for the Company or its affiliates; and
- Not initiate or approve accounting transactions external to the Internal Audit department.

- **ROLE AND RESPONSIBILITIES**

a) Board of Directors / Audit Committee of the Board **("ACB")**

- The Board of Directors **("the Board")** / ACB of JSWIPL are primarily responsible for establishing and overseeing the internal audit function in the organization;
- The ACB / Board shall approve the RBIA Policy and RBIA Plan to determine the priorities of the internal audit function based on the level and direction of risk, consistent with the Company's goals;
- The ACB / Board shall develop an effective culture around the importance of internal audit and risk management;
- The Board will review the performance of RBIA at least annually;
- The Board shall formulate and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function, including assessment of internal audit at least once a year for adherence to internal audit policy, objectives and expected outcomes;
- The Board shall promote the use of new audit tools and technologies for reducing manual monitoring, transaction testing and compliance monitoring;
- Findings of system and process audits including IS Audit shall be presented before the Board;
- The ACB shall meet the HIA at least once in a quarter, without the presence of senior management including the MD / CEO, to maintain the independence of the audit function; and

- A consolidated position of major risks faced by the Company shall be presented at least annually to the ACB / Board, based on inputs from all forms of audit.

b) Senior Management

- Senior Management is responsible for ensuring adherence to the RBIA Policy as approved by the Board and for developing an effective internal control environment;
- Senior Management shall ensure that appropriate action is taken on internal audit findings within agreed timelines and the status on closure of audit reports is placed before the ACB / Board;
- Senior Management is responsible for establishing a comprehensive and independent internal audit function that promotes accountability and transparency; and
- Senior Management shall ensure that the RBIA Function is adequately staffed with skilled personnel of the right aptitude and attitude who are periodically trained to update their knowledge, skills and competencies.

A. Head of Internal Audit (HIA)

The HIA shall directly report to the ACB / MD & CEO or Whole Time Director. Should the Board decide to allow the MD & CEO or WTD to be the reporting authority of the HIA, the reviewing authority shall vest with the ACB and the accepting authority with the Board in matters of performance appraisal of the HIA.

The specific responsibilities of the HIA include:

- Evaluate the effectiveness of risk management processes and the overall internal control environment;
- Assess and make appropriate recommendations for improving governance processes promoting ethics and values within the organization;
- Update the RBIA Policy from time to time and place the same before the ACB / Board for approval;
- Update the Audit Manuals and Audit Department's organization chart from time to time and get the same approved by the competent authority;
- Timely inform Management about findings of all Internal Audits undertaken, along with compliance given by Head of the auditee units;
- Investigate matters assigned by the ACB from time to time;
- Finalise the Internal Audit scope for the Company as a whole based on risk assessment and obtain approval from the ACB;
- Arrange for periodical internal audit in accordance with the approved audit plan, and for special audits as required;
- Ensure prompt disposal of audit observations;
- Present reports / updates to the ACB, confirming on an annual basis the independence of the Internal Audit Department and its staff, and its performance during the period against key performance indicators;
- Provide annual assessment on the effectiveness of the organization's controls in managing key risks;
- Evaluate the reliability and operation of accounting and reporting systems;
- Coordinate and communicate information with the external auditors; and

- Maintain adequate professional audit staff with sufficient knowledge, skills, experience and professional certifications.

Auditee Responsibilities

Internal audit is not a fault-finding mission. It is conducted to identify errors in systems and processes, assess adequacy of controls, manage inherent risk and generate process improvement opportunities. To attain these objectives, there must be active support from the auditee. Auditee responsibilities include:

1. Providing accurate and complete data to auditors as requested. If the data request contains sensitive information, the auditee may seek appropriate guidance/approval before sharing;
2. Attending and discussing issues or queries raised by auditors on time during the audit, which is conducted as per the approved audit calendar;
3. Overseeing the activity in the department and working towards improvements in all aspects of their area/domain; and
4. Being positive and committing to the timely closure of audit observations, and escalating matters requiring management approval on a timely basis.

RISK BASED INTERNAL AUDIT ASSESSMENT AND PLAN

1. Audit Planning

The Internal Audit Department will prepare the Internal Audit Plan based on the outcome of an independent Risk Assessment. The frequency of audits and prioritisation of areas will be determined based on the Risk Assessment process. The Plan shall be approved by the ACB.

2. Risk Assessment Process

The Risk Assessment process will cover the following activities:

- Identification of inherent business risks in various activities undertaken by the Company;
- Evaluation of the effectiveness of the control systems for monitoring the inherent risks of the business activities ('Control Risk'); and
- Drawing up a risk matrix considering both inherent business risks and control risks.

The risk assessment process shall involve but not be limited to processing the following information:

- Previous internal audit reports and compliance status;
- Proposed changes in business lines or changes in focus areas;
- Significant change in management or key personnel;
- Results of the latest regulatory inspection report;
- Reports of external auditors;
- Industry trends and other environmental factors;
- Time elapsed since the last audit;
- Volume of business and complexity of activities;
- Substantial performance variations from the budget;

- Business strategy of the entity vis-a-vis risk appetite and adequacy of controls; and
- Related party transactions and investment-specific risks.

3. Closure of Audit Observations

All observations need to be closed within the timelines agreed at the time of closure of the published internal audit report. These timelines are key to ensuring that systems are upgraded and improved to cover identified risk areas. If due to unforeseen circumstances the auditee is unable to close an observation, or if there are repeated observations, the auditee must obtain management approval for extension of timelines or for closure without fixing the issue where risks have been mitigated with other controls.

- **INDEPENDENCE OF INTERNAL AUDIT DEPARTMENT**

To maintain independence, Internal Audit Department personnel shall report to the HIA, who shall report to the ACB;

- The Internal Audit department shall be independent of the activities audited. The HIA shall not have any reporting relationship with the business verticals and shall not be given any business targets;
- The HIA may communicate directly, and on its own initiative, to the Board and members of the ACB, if required;
- The performance of the Internal Audit Department shall be evaluated by the Audit Committee; and
- The remuneration of internal audit staff shall not be linked to the financial performance of the business lines for which they exercise audit responsibilities.

I. RISK ASSESSMENT FRAMEWORK

Risk assessment is an important part of the internal audit process, used to understand the impact of risk and the probability of its realisation. The results of a risk assessment must be used to prioritise efforts to counteract risks.

The process of risk assessment is not a one-time activity but an ongoing project which is dynamic and responds to changes in the internal and external environment. The Company will undertake a yearly Risk Assessment to formulate the risk-based audit plan. The assessment will be updated periodically to account for changes in the business environment, activities and work processes.

H. Independent Risk Assessment Methodology

The risk assessment will be performed as an independent activity covering risks at various levels (corporate and branch; the portfolio and individual transactions; etc.) and the processes in place to identify, measure, monitor and control such risks. The following phased approach shall be adopted:

<u>Phase 1 - Preparation:</u>

- Identifying business functions and processes critical to business delivery through interviews with concerned stakeholders;
- Understanding the existing risk management framework applicable to JSWIPL; and

- Assessing the overall control environment by reviewing existing risk registers, audit reports, organizational structure, major changes and business performance.

Phase 2 - Preliminary Risk Assessment:

- Interviews with key stakeholders to understand processes and identify possible gaps;
- Performing high-level process walkthroughs to understand the operation of business processes and identify possible issues; and
- Verifying evidence of control design and implementation to validate the efficacy of controls in mitigating risks.

J. ACCESS TO INFORMATION

For the risk assessment to be accurate, it will be necessary to have proper MIS and data integrity arrangements. The Internal Audit function shall be kept informed of all developments such as the introduction of new products, changes in reporting lines, changes in accounting practices and policies. The risk assessment shall invariably be undertaken yearly and shall also be periodically updated to consider changes in the business environment, activities and work processes.

K. DOCUMENTATION

For the risk assessment to be accurate, clearly understandable, unambiguous and verifiable at a later stage, documentation of each process is of utmost importance. Documentation shall include but not be limited to:

- Maintaining a register with columns to showcase the audit area, sub-area, process, risk rating, observation, methodology of assessment, details of data collected and curated observations;
- All documentation shall be in digital format and filed in a logical way for easy access;
- Data transferred on each finalised observation and updated thereon shall be stored in a version-controlled method;
- All past data about published audit reports shall be in read-only format;
- All data shall be stored in compliance with the IT policy of the Company; and
- Sensitive data to be stored and shared shall be password protected.

L. CODE OF ETHICS

All employees including those in the Internal Audit team are governed by the general code of ethics as per the Staff Management Policy of the Company. Internal Audit staff shall act with integrity, objectivity, confidentiality and competence in all their professional dealings.

MANPOWER AND TRAINING

Staffing

Senior Management is responsible for establishing a comprehensive and independent internal audit function that should promote accountability and transparency. It shall ensure that the RBIA Function is adequately staffed with skilled personnel of the right aptitude and attitude who are periodically trained to update their knowledge, skills and competencies.

Training and Awareness

- All employees of JSWIPL shall be provided with awareness of the RBIA policies and procedures to enable them to ensure adherence and to operate in a manner that appropriately addresses risk;
- JSWIPL shall arrange and coordinate periodic training and awareness programmes covering all levels of employees including end-users, top management personnel and personnel managing Internal Audit;
- The respective departments shall monitor the work performance of their staff and hold periodic assessments to identify Internal Audit training needs; and
- All management and staff shall be briefed on their role in protecting the organization's risk areas and complying with relevant policies and procedures.

Competence Requirements

The desired areas of knowledge and experience for internal audit staff may include:

- Financial analysis and accounting;
- Banking operations and treasury management;
- Investment analysis and portfolio management;
- Information technology and data analytics;
- Regulatory compliance (RBI, SEBI, Companies Act, etc.); and
- Forensic investigation and fraud detection.

N. POLICY GOVERNANCE

Policy Implementation

All employees of JSWIPL (including branch employees where applicable) and management are responsible for ensuring that the Risk Based Internal Audit Policy is adhered to. The Internal Audit department is responsible for ensuring that staff are aware of and adhere to this Policy and the standards thereunder.

Policy Compliance

The Internal Audit Department shall ensure that:

- All users including JSWIPL employees and management adhere to the Policy standards;
- Continuous compliance monitoring and measurement processes are adopted; and
- Reports about continuous compliance monitoring and measurement processes are shared with the Board at least annually.

Review of Policy

This document and the processes described herein are subject to review by competent authorities from time to time. The Policy shall be subjected to review at least once annually to keep it current with regulatory, statutory and business requirements. Revisions other than as stated herein shall

be done only in case of major regulatory or environmental changes, which shall be placed for ratification before the ACB / Board.

O. REVIEW OF POLICY

This Policy shall be reviewed at least once annually by the Head of Internal Audit and placed before the Audit Committee of the Board / Board for approval. Any interim revisions necessitated by significant regulatory changes shall be brought to the attention of the ACB / Board promptly.

Prepared by	**Approved by**
Head of Internal Audit *JSW Investments Private Limited* Signature: _____ Date: _____	Audit Committee of the Board / Board of Directors *JSW Investments Private Limited* Signature: _____ Date: _____