ACHIIEVERS FINANCE INDIA (P) LTD

RISK MANAGEMENT POLICY

I) INTRODUCTION:

The Company is required to ensure that a proper policy framework on Risk Management Systems with the approval of the Board is formulated and put in place. This policy document has been prepared in line with the RBI guidelines.

II) OBJECTIVE:

The objective of the risk management policy is to measure and monitor the various risks we are subject to and to implement policies and procedures to address such risks. We intend to continue to improve our operating processes and risk management systems that will further enhance our ability to manage the risks inherent to our business. Furthermore, we intend to continue to train existing and new employees in appraisal skills, customer relations, communication skills and risk management procedures to enable replication of talent and ensures smooth transition on employee attrition, update our employees with latest developments to mitigate risks against frauds, cheating and spurious gold and strengthen their gold assessment skills.

III) RISK FACTORS:

The various risks and mitigation strategies of the company are as follows:

a. Credit Risk

A risk of loss due to failure of a borrower/counterparty to meet the contractual obligation of repaying his debt as per the agreed terms, is commonly known as risk of default. Despite best efforts, there can be no assurance that repayment default will not occur and in such circumstances, may have an effect on its results of operations.

Risk Mitigation

• Credit risk shall be managed using a set of credit norms and policies. The Company shall have defined roles and responsibilities for originators and approvers. All credit exposure limits shall be approved by authorized persons.
• There shall be a structured and standardized credit approval process to ascertain the credit worthiness of the borrower.
• The Company shall develop internal evaluation team to make credit decisions more robust and in line to manage collateral risk.
• The Company shall follow a process of time-to-time revisiting the credit policy and processes, on the basis of experience and feedback.

b. <u>Operational Risk</u>

Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, physical security, human resource and business activity disruptions.

<u>Risk Mitigation</u>

- **Document Storage and Retrieval**: The Company recognizes the need for proper storage of documents as also their retrieval for audit and statutory requirements.
- **Scanned Copies:** We have also started storing scanned copies of the loan documents for easy retrieval especially for audit purposes where physical documents are not 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 as we have a clearly stated "no-retaliation" policy. 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. The Compliance Officer maintains a record of all the entire case history which is signed off by senior management on closure.
- **Internal Audits:** Internal Audit at Branch Offices and at the Corporate/Regional Offices are carried out from time to time by an independent audit firm appointed by the Board. The scope of this Internal Audit covers all key functions including HR, Operations, Credit, Administration, Finance and Accounts. The firm also audits the company's adherence to all Statutory and Regulatory Guidelines that have been prescribed for NBFCs. The scope of these audits are reviewed periodically and modified to keep pace with a dynamic business environment. All significant audit observations of Internal Audits and follow-up actions are placed before the Board.
- Technology Infrastructure: The Company has leverage of cloud-based technologies and all its business applications are hosted in secure data centers.

c. <u>Market Risk</u>

This is majorly external market dynamics, which gives rise to Risks like Liquidity risk, Interest Rate risk and Funding risk. Liquidity risk is the inability to meet financial obligations in a timely manner and without stress. The Company shall resort to proper ways to manage such risks.

<u>Risk Mitigation</u>

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 market if required.

d. **Financial Risk**

- **Interest Risk:** Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition.

- **Liquidity Risk:** Liquidity risk is the non-availability of cash to pay a liability that falls due. A company is deemed to be financially sound if it is in a position to carry on its business smoothly and meet all the obligations - both long term as well as short term - without strain. Assessment of the efficiency with which the funds are put to use is very important for credit analysis. Liquidity Risk arises largely due to maturity mismatch associated with assets and liabilities of the company. Liquidity risk stems from the inability of the company to fund increase in assets, manage unplanned changes in funding sources and meet financial commitments when required.

  Risk Mitigation

  - The company ensures to keep liquidity to cover unexpected repayment obligation.
  - Promoting fund infusion by way of Non-Convertible debentures [NCD] and subordinated debts so that due date for interest and maturity can be pre known.
  - Funding from long term sources and lending as short term loans.
  - Reducing the percentage of unsecured lending so that repayment up to a level is not affected.

e. **Regulatory and Compliance Risk**

The company is exposed to risk attached to various statutes and regulations. The company is mitigating the risk through regular review of legal compliances carried out through internal as well as external compliance audit. Non-compliance can result in stringent actions and penalties from the Regulator and/or Statutory Authorities and which also poses a risk to Company’s reputation.

Risk Mitigation

Internal Audit has been conducted periodically wherein all regulatory compliances are reviewed in detail.

f. **Strategic Risk**

It is the risk to earnings and capital arising from lack of responsiveness to changes in the business environment and/or adverse business decisions, besides adoption of wrong strategies and choices.

Risk Mitigation

The management is proactive in its approach towards changes in economic/business environment as the business strategies are regularly discussed with the senior officials of the organization so that adequate steps can be taken. Also, important strategic matters are referred to the Board, consisting of members with diversified experience in the respective fields.

g. <u>Human Resource Risk</u>

The Company's Human Resource adds value to the entire company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence.

<u>Risk Mitigation</u>

Various programs and initiatives are carried out by the HR to retain talent and motivate them on a regular basis.

IV) RISK ASSESSMENT OF BORROWERS:

It is generally recognized that certain borrowers may be of a higher or lower risk category depending on the customer's background, type of business, our references, borrowers net worth and the ability to refund and pay interest etc. As such, based on the due diligence measures on risk sensitive basis each of the customers shall be divided in three categories HIGH, MEDIUM AND LOW which shall be reviewed every year. The concerned persons should adopt an enhanced customer due diligence process for higher risk customers. Conversely, a simplified customer due diligence process may be adopted for lower risk of categories of customers. In line with risk based approach, the type and amount of information and documents shall vary depending on the risk category of a particular borrower and should be collected from the client. The beneficial owners working should be done for all corporate clients and background check of all directors. In case of a borrower who subsequently has turned out to be a Politically Exposed person, proper risk management system should be put in place to determine the beneficial ownership from such clients or potential clients. Once we are privy to such publicly available information or the commercial electronic database of PEPs, we should seek additional relevant information from such client pertaining to ownership issues and other risks associated with such persons and take call whether such exposure to him or his company we should continue or terminate the relationship after giving notice in advance. As a policy without concurrence of top management, no such identified PEP account is to be granted loan.

V) REVIEW:

The Board of Directors, in their board meetings, will oversee the implementation of the system and review its functioning periodically.