Risk Management Policy

MINT INVESTMENTS LIMITED

Risk Management Policy

INTRODUCTION

Non-Banking Financial Companies (NBFCs) form an integral part of the Indian financial system. NBFCs are required to ensure proper policy regarding to Risk Management is formulated. Mint Investments Limited being an NBFC formulated a proper policy framework on Risk Management Systems with the approval of the Board and put in place.

KEY DEFINITIONS

'Risk' can be defined as the effect of uncertainty on the objectives of the company. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources and the systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

Risk Management Process: The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.

Risk Assessment: The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

Risk Mitigation: Risk mitigation involves taking action to reduce company's exposure to potential risks and reduce the likelihood that those risks will happen again.

GENERAL PROVISIONS

This policy represents the basic standard of Risk Assessment to be followed by the company.

All relevant employees must be thoroughly familiar or made familiar with it and make use of the material contained in this policy.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company. Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems.

OBJECTIVE, SCOPE AND ROLE

The 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. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, including the development of the risk matrix, in order to guide decisions on risk related issues. The Risk Management Policy provides for the enhancement and protection of business value from uncertainties and consequent losses.

The specific objectives of this Policy are:

(a) To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e., to ensure adequate systems for risk management;
(b) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
(c) To assure business growth with financial stability;

The role of the Risk Management Committee shall be as hereunder –

1. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
2. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
3. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
4. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
5. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
6. To review with the Company's counsel, legal matters which could have a material impact on the Company's public disclosure, including financial statements.
7. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

The detailed risk management policy shall include:

1. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
2. Measures for risk mitigation including systems and processes for internal control of identified risks.
3. Business continuity plan.

RISK FACTORS IDENTIFICATION

The Company constantly identifies and updates its list and perception of Risk Indicators. The Company has evolved a combination of checks and balances by way of monitoring macroeconomic situations as well as through internal controls supplemented by internal audit for identifying risk indicators. The objectives of the Company are subject to both external and internal risks that are enumerated below: -

Risk Areas

- Legal
- Strategic
- Financial

- Operational
- Health & Safety
- Human Resources
- Reputational
- Cyber security risks

The external risk factors are –

The principal Risk factors of the Company are as follows:

- Volatility and uncertainty in the capital market
- Geo- Political
- Fluctuations in Foreign Exchange

Internal Risk Factors are -

- Contractual Compliance
- Human Resource Management
- Health & Safety

The major risks routed through the heads as mentioned above are as follows-

- **Legal risk through the following factors –**
- Changes in Statutory and legal Acts/Rules
- Delay in statutory filings
- Changes in fiscal and monetary policies

- **Financial Risk through the following factors-**
- Direct and indirect Taxation
- Insurance Claim
- Credit Risk
- Change in interest rates
- Geo political situation
- Foreign exchange fluctuation

- **Cyber security Risk through the following factors-**
- Loss of data
- Transmission of confidential data

CREDIT RISK

A risk of loss due to failure of a borrower to meet the contractual obligation of repaying it's debt as per the agreed terms is commonly known as risk of default.

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.
- The other members/borrowers in the joint liability group can take active role in credit screening and in monitoring the credit behavior of other customers apart from providing credit guarantee.
- Provisions for bad and doubtful debts are appropriately made in books of accounts.

- Appropriate recovery management and follow-up.

OPERATIONAL RISK

Any eventuality arising from the act relating to people, technology, infrastructure and external factors, which can give rise to some type of loss in the organization, is termed as Operational Risk. Majorly, it is internal and unknown. Therefore, the persons responsible shall keep continuous watch and shall gather the symptoms/warning signals to manage operational risks.

MARKET RISK

This is majorly external market dynamics, which give 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 risk.

Risk Mitigation:
As a contingency plan, the company shall maintain sufficient approved but undrawn credit lines on a continuous basis as buffer to manage eventuality of liquidity constraints.

In addition of above company has formed a Risk Management Committee comprising of two Non-Executive Director and one Non- Executive Independent Director. The Committee is constituted to assist the Board in the discharge of its duties and responsibilities in this regard. The duties and responsibilities of the members of the Committee are in addition to those as a member of the Board of Directors.

The Company shall be compliant in terms of regulatory norms and therefore shall effectively manage regulatory risks. Effective customer redressal mechanism and fair practices shall keep legal risk under control.

The Company shall have processes in place, to manage the risks of fraud and the suspected frauds are reported, wherever necessary.

RISK MANAGEMENT

Risk Management is a business facilitator by making more informed decision with balanced risk-reward paradigm. The company shall follow a disciplined risk management process and take business decisions, ensuring growth and balancing approach on risk-reward matrix.

RISK ASSESSMENT, MONITORING & REPORTING

Risk Reporting and monitoring is to be done in the communication intended to inform particular internal and external stakeholders by providing information regarding the current state of risk and its management.

The Company has established internal controls as a vital part of fraud deterrence. The Company continuously assess weaknesses, and identifies the assets that are of specific value to the business and which could be vulnerable & manipulated by fraudsters. These assets include:

i) ***Information****: Databases, electronic data transmissions, data files.*
ii) ***Paper Documents***: *Contracts Notes, valuable securities.*
iii) ***Software:*** *Application software, system software, development tools and utilities.*
iv) ***Organization structure:*** *Roles, responsibilities and accountabilities for various operations have clearly been defined and communicated at all business and service levels. This includes separation of duties i.e. different personnel handle different activities to prevent collusion.*

v) ***Control Procedures:*** *Control procedures established for operations to provide guidelines for specific user groups, enabling them to develop good practice and consistent understanding of management requirements.*

vi) ***Management of Information:*** *The Company has established an effective, efficient & secure system of protecting its valuable information to maintain its confidentiality, integrity, availability and auditability, through physical & environmental security, controlling access to systems & information, network management, virus control, etc.*

vii) ***Internal Audits:*** *The Company has well defined and extensive system of internal audits covering entire operations.*

viii) ***Escalation:*** *Contact points have been established in the organization for escalation of fraud cases.*

ix) ***Knowledge dissemination:*** *There is continuous dissemination of best business and operational practices across various functions of the Company.*

x) ***Culture:*** *The Company continuously promotes risk awareness by training and informal Communication.*

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, borrower's net worth and the ability to refund and pay interest etc. As such, the concerned person shall apply to each of the customers due diligence measures on a risk sensitive basis. Initially, all the new clients are to be marked as high – risk category, however they may be subsequently recategorised depending on their performance based on our own experiences. In line with risk based approach, the type and amount of information and documents should be collected from the client for the purpose of verification.

COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

MONITORING & REVIEW OF THE POLICY

The Board of Directors or the Risk Management Committee of the Board of the Company shall monitor and review the Policy periodically/Annually or as and when required and can amend this Policy as and when deemed fit.