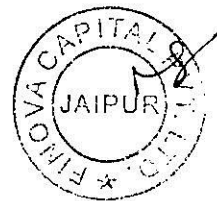


FINOVA CAPITAL PRIVATE LIMITED

RISK MANAGEMENT POLICY



RISK MANAGEMENT FRAMEWORK & POLICY

PREFACE

Risk Management is a Key aspect of the "Corporate Governance Principals and Code of Ethics which aims to improve the governance practices across the Companies Activities. The Management of Non-Banking Finance Company ("NBFCs") have to base their business decisions on a dynamic and integrated risk management system and process, driven by corporate strategy. NBFCs are exposed to several major risks in the course of their business- credit risk, interest rate risk, equity price risk, liquidity risk, operational risk etc. It is therefore important that NBFCs should introduce effective risk management policy that addresses the issues relating to various business risks. NBFCs are required to ensure that a proper policy framework on Risk Management Systems with the approval of the Board is formulated and put in place. Risk management policy and processes will enable Finova Capital Private Limited (hereinafter referred to as "the Company") to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

BACK GROUND AND IMPLEMENTATION

The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks. This policy has been prepared in line with the RBI guidelines and as per the requirements under Section 134(3)(n) of the Companies Act, 2013.

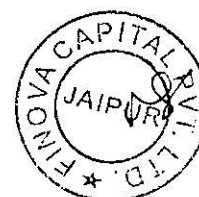
OBJECTIVE & PURPOSE OF POLICY

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, in order to guide decisions on risk related issues.

This Policy represents the basic standards 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 specific objectives of the Risk Management Policy are:

- 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.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.



RISK MANAGEMENT

Risk management is a business facilitator by making more informed decision with balanced risk-reward paradigm. The Risk management framework of the Company seeks to minimize adverse impact of risks on our key business objectives and enables the Company to leverage market opportunities effectively.

The various key risks to key business objectives are as follows:

- ✦ **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.

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 and 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.

- ✦ **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 risk.

Risk Mitigation:

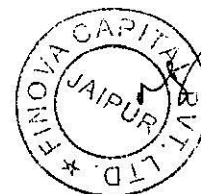
Internal Audit of the company was carried out by a team of internal auditors of the company on half yearly basis. Internal audit team identifies and resolves failure in procedure implementation, identifying manipulations, malpractices, fraud, security issues etc.

The scope of the audits are reviewed periodically and modified to keep pace with a dynamic business environment. Branches which are not showing any improvement will be tracked and correcting measures are taken in consultation with HR department of the company.

Company has insured all its assets to cover the risks of loss due to theft, fire and other natural calamities.

- ✦ **LIQUIDITY RISK:** It is the risk that the Company will be unable to meet its financial commitment to a Bank/Financial Institution in any location, any currency at any point in time. Liquidity risk can manifest in three different dimensions for the Company.

- ✓ **FUNDING RISK:** To replace net outflows due to unanticipated outflow.
- ✓ **TIME RISK:** To compensate for non-receipt of expected inflows of funds.



- ✓ **CALL RISK:** Due to crystallization of contingent liabilities or inability to undertake profitable business opportunities when desirable.

Risk Mitigation:

As a contingency plan the Company shall maintain sufficient approved but un-drawn credit lines on a continuous basis as buffer to manage eventuality of liquidity constraints.

- ✦ **INTEREST RATE RISK:** It is the risk where changes in market interest rates might adversely affect the Company's financial condition. The short term/immediate impact of changes in interest rates are on the Company's Net Interest Income (NII). On a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the Company arising out of all re-pricing mismatches and other interest rate sensitive positions.

Risk Mitigation:

The company has framed and implemented Interest Rate Policy in accordance with the guidelines issued by the RBI for Determining Interest Rates, Processing and Other Charges in order to ensure transparency to conform to the stipulations of RBI's directives. The Company follows a process of time-to-time revisiting the Interest rate policy and processes, on the basis of experience and feedback.

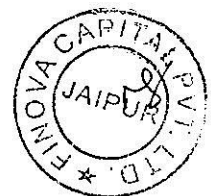
- ✦ **COMPLIANCE RISK:** The Company is regulated principally by and have various reporting obligations to the RBI. We are also subject to the corporate, taxation and other laws in effect in India. The regulatory and legal framework governing us may continue to change as India's economy and commercial and financial markets evolve. Company has to ensure compliance with regulatory and statutory requirements. Non-Compliance can result in stringent actions and penalties from the Regulator and/or Statutory Authorities. These risks can take the form of:

- ✓ Non-Compliance with RBI Regulations.
- ✓ Non-Compliance with Income tax Act, Companies Act and other applicable statutory regulations.

Risk Mitigation:

Company has various departments working together for monitoring, review and compliance of the applicable provisions reporting to Board of Directors.

- ✦ **REPUTATION RISK:** Reputation risk is the risk to earnings and capital arising from adverse perception of the image of the company from the part of various stakeholders and regulators. This risk may arise from the company's reputation getting tarnished due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints leading to negative publicity.



Risk Mitigation:

Company has trained all its employees for ensuring customer satisfaction, ensuring compliance of fair practice code, reducing the level of stakeholder complaint etc. In case of any complaints Grievance Redressal Mechanism was implemented by company through which complaint / dispute are redressed.

DISCLOSURE IN BOARD'S REPORT

As per Section 134(3)(n) of the Companies Act, 2013, the Board of Directors shall include in its report 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.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

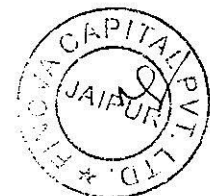
Pursuant to RBI circular No. **RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20** dated November 04, 2019, the Board of directors shall constitute Risk Management Committee which shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk. The Committee shall assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of operational, strategic and external environment risks.

The Risk Management Committee shall periodically review and evaluate the risk management system and policy of the Company and be accountable to the Board for managing risk parameters within expectations across time horizons.

ROLE OF THE BOARD

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall define the roles and responsibilities of the Risk Management Committee and delegate monitoring, implementing and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.
- The Board shall review the work and powers of the Risk Management Committee periodically as may be necessary from time to time;
- Ensure that the appropriate systems for risk management are in place.
- Participate in major decisions affecting the organization's risk profile;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms.



AMENDMENT/CHANGES

This policy may be amended subject to the approval of Board of Directors and/or any other delegated committee of the Board of the Company, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

REVIEW

The Board of Directors, in their board meetings, will oversee the implementation of the risk management system/policy and review its functioning at the intervals as it may deem necessary.

This policy has been approved and adopted at the Board meeting held on 19.02.2021.

