

Risk Management Policy

MINDA INVESTMENTS LIMITED

1. Applicability

This policy applies to Minda Investments Limited (“MINV” or the “Company”).

2. Background

As a Core Investments Company, MINV may be exposed to various types of risks inter alia Credit, Market, and Liquidity, Operational, Legal, Compliance and Reputation risks.

The objective of the Risk Management Policy (Policy) is to ensure that various risks are understood and monitored.

Key principles underlying the risk management framework at MINV are as under:

- a) The Company will adopt Risk Management Framework as broadly defined under this Policy;
- b) The Board of Directors will supervise overall risk management framework of the Company;
- c) The Risk Management Committee constituted by the Board will periodically review various risks associated with business of the Company and guide the Company in putting in place an effective risk management framework;
- d) Specific committees/ authorities will be constituted/ designated across the Company to facilitate independent evaluation & monitoring of various risks and oversee implementation of risk mitigation plans.
- e) Various policies approved by the Board of Directors/ Committees of the Board, from time to time, form the governing framework for each type of risk.

3. Risks to which the Company is exposed

MINV has outlined various risks to which it is exposed to and actions it will take to mitigate/ manage the same.

a) Credit Risk

Credit Risk is risk of default that may arise in event of the Company’s borrower, or counter party, failing to meet its payment obligations regarding the terms agreed with the Company. It includes both uncertainties involved in repayment of the Company’s dues and repayment of dues on time.

- ☐ Management of Credit Risk: MINV provides finance solutions to mid/ low-income segment and understands that Credit Risk is the foremost of all risks which may affect it. Hence, following mitigating steps have been undertaken by MINV to contain credit risk:

- i. All credit risk related aspects shall be governed by the Credit Policies, bulletins and communication (“**Credit Policy**”). The Credit Policy will outline types of products, customer categories, target customer profile, credit approval process, exposure, limits etc. The Credit Policy shall be approved by the Board of Directors or by the official/ group of officials authorized by the Board of Directors.
 - i) The authority matrix for approval of credit limits shall be approved by the Board of Directors or by the official/ group of officials authorized by the Board of Directors.
 - ii) The Company (directly or through its authorized agents/ representatives) will have a Collections and Recovery unit structured along various segments and geographical locations, to manage delinquency levels. The collections unit will operate under the standard Collection Policy of the Company adhering to the Fair Practices Code and other requirements prescribed by the regulatory authority.
 - iii) The Legal cell of the Company or its authorized agents/ representatives will facilitate recovery process, as and when required.

b) Market and Liquidity Risk

Liquidity Risk may arise 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.

Due to the high reliance on external sources of funds, the Company is exposed to various funding and liquidity risks comprising:

- i) Funding Concentration Risk
- ii) Asset-Liability Mismatch
- iii) Interest Rate risk
- iv) Leverage Risk

☐ Management of Market/ Liquidity Risk: Market & Liquidity Risks are again some of the foremost risks faced by MINV. Following steps can be taken by MINV to mitigate these risks:

- i) The management of interest rate and liquidity risks will be defined in the Board approved Asset Liability Management (ALM) Policy. The ALM policy will cover functioning of Asset Liability Management Committee (ALCO), ALM process and the limits pertaining to interest rate and liquidity risks.
- ii) Investment Policy shall address issues related to treasury investments as well as long-term investments. The Investment Policy should cover the authorization,

product guidelines, limits, classification, valuation norms, audit control and reporting. Investment Policy will be approved by the Board of Directors.

c) Operational Risk

Operational Risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. All companies are exposed to operational risk relating to the activities undertaken by it. It also arises due to unforeseen natural calamities/ events, loss of data, errors in processes and frauds. Though the occurrence of such instances could be less, the impact in value terms could be significant.

□ Management of Operational Risk: Following steps will be taken to manage/ mitigate various Operational Risks:

- i) The Company through centralized operations team (managed directly or through its authorized agents/ service provider) shall manage operational risks in various back-office processes of the Company's business except for a few operational activities, which may be decentralized to improve turnaround time for customers. The decentralized operations shall be managed by the Branch operations team.
- ii) Operational risk can be managed through sound standardized operational processes, robust IT systems and back-up plans that help minimize loss, errors & fraud occurrence.
- iii) A fraud prevention and control team can manage fraud-related risks through fraud Prevention. Such team will lay-down the systems and processes for fraud prevention. This team will also be required to evaluate and empanel various external agencies involved for facilitating the business. The fraud-related risks will be mitigated through proper field verifications, profile checks etc.

d) Money Laundering (ML) Risk

MINV being a financial institution is exposed to the risk of being used for money Laundering.

The Company will take the following steps to mitigate the ML risk:

- i) The Board or a committee authorized by the Board shall have oversight on the Anti-Money Laundering (AML) initiatives of the Company.
- ii) The AML/ KYC Policy, in line with the statutory/ regulatory requirements, will be implemented.
- iii) Adequate Know Your Customer (KYC) procedures will be implemented for identification & verification of customers and for monitoring/ reporting of cash/ suspicious transactions as required.

The Company will appoint a Principal Officer (PO) to FIU- Ind who will have executive responsibility for monitoring day-to-day implementation of the AML Policy and Procedures.

e) Regulatory Compliance

MINV, as a Core Investments Company, is required to comply with the regulatory requirements prescribed by the Reserve Bank of India (RBI).

The designated Compliance Officer shall ensure that all regulatory guidelines are disseminated across the Company and are adhered to. He shall also have the responsibility of coordinating the regulatory audits and correspondence with the regulatory authorities.

f) Credit Concentration Risk

MINV shall ensure adherence with the credit concentration norms prescribed by the RBI. Further, the Company will endeavor to spread the business across different customer profiles, programs and product segments.

g) Legal Risk

MINV will have standardized documentations for various business purposes which are approved. If required, opinions may be sought from internal and external legal counsel.

h) Reputational Risk

Reputational risk could be defined as the risk of potential damage to any enterprise owing to deterioration of its reputation and/or standing because of negative perceptions of the Company's image among its different stakeholders, namely, its customers, employees, shareholders, suppliers and regulatory authorities. It may arise when some incident leads to reputation damage due to various factors including mis-selling, adverse media campaign, unfair trade practices, regulatory action, liquidity issue, etc.

☐ Management of Reputational Risk: To manage this risk, the Company shall, inter alia, ensure the following:

- i) All media communications would be handled by the CEO/ CFO only;
- ii) Timely response to statutory/ regulatory queries/ requirements;
- iii) Training of employees;
- iv) Respond to the customers' queries and needs within committed turn-around time;

- v) Be vigilant to customer's/ stakeholder's/ media feedback (including social media) and take quick remedial actions.

4. Assurance/ Control

In addition to the above framework, the Company will have proper audit system to ensure adequate checks and balances are embedded in the Company's business activities and processes.

The Company will engage reputed audit firm for statutory audit. Further, it will put in place a robust internal audit framework commensurate with its size, complexity and functions. The Board/ Audit Committee of the Company will periodically review functioning of the audit framework and action taken based on their feedback.

5. Risk Management Committee (RMC)

A Committee of senior executives/ Directors of MINV, constituted by the Board of Directors, will be responsible to periodically review various risks associated with business of the Company and guide the Company in putting in place an effective risk management framework

6. Review & Amendments

The Risk Management Policy shall be reviewed/ amended by the Board of Directors as and when required.

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