fincare

RISK MANAGEMENT POLICY
FINCARE BUSINESS SERVICES LIMITED

1. Preamble

The Board of Directors ("Board") of Fincare Business Services Limited ("Company" or "FBSL"), has adopted the following policy which encompasses practices relating to identification, assessment, monitoring and mitigation of various risks to the business. Risk Management Policy of the Company seeks to minimize unfavourable impact on the business objectives and develop stakeholder value. Further, the risk management practices seek to sustain and enhance long-term competitive advantage for the Company.

2. Purpose

This Policy has been framed in accordance with the Risk Management framework as issued by Reserve Bank of India ("RBI") vide Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 ("RBI Circular") and subsequent amendments thereon.

The purpose of this policy is to address unanticipated and unintended losses to the Company and its stakeholders without unnecessarily limiting the activities that advance its mission and goals. FBSL has introduced effective risk management systems that address the issues relating to various risks. The effective management of risk is vital to the continued growth of the Company.

3. Principles

For risk management to be effective, all operations/departments of the Company must apply the following principles to the context of the business and its objectives:

- Risk management must create and protect value
- Risk management is integrated into organisational processes.
- Explicit risk management helps decision-makers make informed choices.
- Risk management is focused on the sources of uncertainty around the achievement of objectives
- Risk management must be tailored to the context and fit for purpose
- Risk management is dynamic, iterative and responsive to change.

4. Definitions

- "Board" means Board of Directors of the Company.
- "Company" or "FBSL" means Fincare Business Services Limited
- "Directors" mean individual Director or Directors on the Board of the Company.
- "Policy" means Risk Management Policy
- "RBI" means Reserve Bank of India

5. Policy Rationale

FBSL recognizes Risk management as one of the key drivers of growth and further to enhance corporate governance. Accordingly, the Board has framed Risk Management Policy:

- To continuously thrive for available risks in the organization which directly or indirectly effect the functioning of the organization.

- To ensure the protection of rights & values of Stakeholders by establishing a well-organized Risk Management Framework.
- To Select, maintain and enhance the risk management tools used by the Company to provide analysis that inform and support the investment actions of the entire Organization.

6. **Identification, Measurement and Assessment of Risk**

- Management's responsibility, as delegated by the Board, is to operationalize the Risk Management Program and ensure that formal procedures are put in place to identify and define risk.
- Measurement of risk is completed considering both quantitative and qualitative means using the likelihood and impact criteria as developed by Management as and when required and as reviewed by the Board.
- The management shall identify certain inherent and residual risks which have been divided in accordance with likelihood and its impact on the business.

Following risks are identified through this policy:

- Reputational Risk – Where the practices followed by the Company are not in consonance with the prescribed Regulatory guidelines as well as internally prescribed standards
- Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies, outsourcing of activities to vendors, where ever applicable.
- Liquidity Risk- These risks include not measuring and having enough liquidity to run the Company
- Regulatory & Compliance Risk – This includes non-compliance or inadequate compliance with applicable laws by the Company
- Human Resource Risk- Where the employee related factors are not handled cautiously such as safety, security, compensation, etc.

7. **Risk Categorization and Mitigation Factors**

Based on risks identified above, following possible mitigation factors are identified which can be modified by the board as and when required based on prevailing factors:

Reputational Risk - Reputational risk is related to adverse perception of the image or the company, on the part of customers, counterparties, shareholders, investors and regulators. It refers to the potential adverse effects, which can 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. Presence in a regulated and socially sensitive industry can result in significant impact on Company's reputation and brand equity as perceived by multiple entities like the RBI, banking industry and the customers. The risk can emanate from:

- o Non-Compliance with Regulations
- o Customer Dissatisfaction
- o Misrepresentation of facts and figures in public

Mitigation: Considering the business model the following aspects have been put in place to reduce vulnerability related to reputational risk:

- Compliance with Fair Practices Code: All employees are trained and instructed to follow fair practices as per RBI prescribed guidelines in all their dealings with the customers.
- Stringent Selection Criteria: Vendors, employees and other associates of the Company are selected after confirming to the stringent criteria prescribed by the management.
- Reference Check: The management carries out a reference check for all the vendors from the market before having them on Board so as to ensure utmost integrity while carrying out their duties.
- Legal Obligations: All employees, vendors and associates are required to sign legal contracts wherein specific clauses related to non-disclosure are entered so as to ensure the Company is prevented from any reputational risks.

Operational Risk: 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.

Mitigation:

- Document Storage and Retrieval: FBSL recognizes the need for proper storage of documents as also their retrieval for audit and statutory requirements. The Company is maintaining all the Key original documents in a fireproof vault at a dedicated space allocated for specific purpose.
- Physical Storage: All the physical documents are stored in a specialized secure facility.
- Scanned Copies: We have also started storing scanned copies for easy retrieval especially for audit purposes where physical documents are not required.

Liquidity Risk: Measuring and managing liquidity needs are vital for effective operations of an NBFC-CIC. the Management shall measure the liquidity position of the company on an ongoing basis

Mitigation: Regular review of liquidity position - Management shall review the liquidity gaps on need basis and shall take immediate corrective actions to bridge the same.

Regulatory and Compliance Risk: The company is exposed to risk attached to non-compliance of various statutes and regulations.

Mitigation: The company regularly reviews, update and monitor compliance to regulatory guidelines.

Human Resource Risk: FBS'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. Our growth has been driven by our ability to attract top quality talent and effectively engage them in the right job. Risk in matters of human resources is sought to be minimized by having right policies and inculcating in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialization.

Mitigation:

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

8. **Responsibility**

The Risk Management Committee of the Board is responsible for satisfying itself as frequently as required, that management has developed and implemented an effective risk management framework.

9. **Review**

This policy may be reviewed and revised as and when deemed appropriate by the Risk Management Committee.