ASHIKA CREDIT CAPITAL LIMITED

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ASHIKA'S RISK MANAGEMENT POLICY

A. Overview

The Risk Management (RM) at ACCL encompasses practices relating to identification, assessment, monitoring and mitigation of various risks to our business. Risk Management Policy of our Company seeks to minimize unfavorable impact on our business objectives and develop stakeholder value. Further, our risk management practices seek to sustain and enhance long-term competitive advantage of the Company.

B. Purpose

The purpose of this policy is to address unanticipated and unintended losses to the human resources, financial assets and property of the Organisation without unnecessarily limiting the activities that advance the Organisation's mission and goals. The board is responsible to frame , implement and monitor the Risk Management Plan of the company.

C. Principles

The effective management of risk is vital to the continued growth and success of ACCL . For risk management to be effective, all operations must apply the following principles to the context of their particular 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.

D. Risk Management Policy Statement

ACCL recognizes that Risk management is one of the key principles of effective Corporate Governanace. The Risk management policy is given below:-

i. To Continously thrive for available risks in the Organisation which directly or indirectly effect the functioning of the Organisation.

ii. To ensure the protection of rights & values of Shareholders by establishing a well organized Risk Management Framework.

iii. Selecting, maintaining and enhancing the risk management tools used by the Program to provide analyses that inform and support the investment actions of the entire Organisation.

E. Identification, Measurement and Assessment of Risk

i. Management's responsibility, as delegated by the Board, is to operationalize the Risk Management Program and ensure that formal procedures are in place to identify and define risk with input from representatives across the enterprise.

ii. Measurement of risk is completed considering both quantitative and qualitative means using the likelihood and impact criteria as developed by Management and as reviewed by the Board.

F. Risk categories

The following broad categories of risks have been considered in our risk management framework:

- Market Risk : Risks emenating out of the choices we make on markets, resources and delivery model that can potentially impact our long-term competitive advantage. Risks relating to inherent characteristics of our industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure.

- Operational Risk : Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, physical security and business activity disruptions.

- Interest Risk : Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The changes in interest rates affect company in some way. The immediate impact of changes in interest rates is on company's earnings (i.e. reported profits) by changing its Net Interest Income (NII). As such ACCL is into funding of loans which are always fixed rate loans. The company manages this risk on NII by pricing its loan products to customers at a rate which covers interest rate risk. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net InterestMargin (NIM). Measurement of such risk is done at the time of deciding rates to be offered to customers. Once interest rate risk is measured, lending rates are finalized. Given the interest rate fluctuation, the company has adopted a prudent & conservative risk mitigation strategy to minimize interest risk.

- Credit Risk : Ownership structure could have a key influence on an NBFC's credit profile in that a strong promoter and strategic fit with the promoter can benefit an NBFC's earning, liquidity and capitalisation, and hence its credit profile. In assessing an NBFC's ownership structure, the parameters examined include, among others: the credit profile of the promoter, shareholding pattern of the NBFC, operational synergies of the NBFC with its promoter, level of involvement of promoter in the NBFC and level of commitment, and track record of the promoter in providing fund support.

- Liquidty Risk : Measuring and managing liquidity needs are vital for effective operation of company. The importance of liquidity transcend individual institutions, as liquidity shortfall in one institution can have repercussions on the entire system. Board should measure not only the liquidity positions of company on an ongoing basis but also examine how liquidity requirements are likely to evolve under different assumptions. Experience shows that assets commonly considered as liquid, like Government securities and other money market instruments, could also become illiquid when the market and players are unidirectional. Therefore, liquidity has to be tracked through maturity or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool.

- Human Resource Risk : ACCL 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 right jobs. Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure. Employee-compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance

- Regulations and compliance : The company is exposed to risk attached to various statutes and regulations. The company is mitigating these risk through regular review of legal compliances carried out through internal as well as external compliance audit.

G. <u>Responsibility</u>

Responsibility for risk management is shared across the organisation. Key responsibilities include:

- Controlling the risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the organization provides, the safety of the workplace and other benefits all depend to an extent on our ability to control risks.

- The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective risk management framework. Detailed work on this task is delegated to the Audit Committee , who also plays the role of Risk Management Committee and reviewed by the full Board.

- The Audit Committee assists the Board in overseeing the group's risk profile and is responsible for overseeing management's actions in the identification, management and reporting of material business risks.

H. <u>Reporting Requirements</u>

The Organisation Enterprise reporting process will evolve as requirements and risk management leading practice evolve. Annual content will include a risk profile setting out the most significant risks faced by the enterprise, and for each risk will:

- ✓ describe the risk;
- ✓ document the key activities and controls to mitigate/manage the risk;
- ✓ identify the residual risk;
- ✓ refer to action plans taken to address any weaknesses; and
- ✓ draft a risk appetite statement for each key strategic risk.

Further, on a quarterly basis, updated information materially affecting the risk profile (e.g. market developments) will be provided which will enable the Board to understand the likely future risk profile of the Enterprise. These will be reported to the Board by the Audit Committee as soon as practicable and at least quarterly.