SAYYAM INVESTMENTS PRIVATE LIMITED
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CIN- **U74900AS2012PTC011294**

‘RISK MANAGEMENT POLICY’

of

Sayyam Investments Private Limited

RISK MANAGEMENT POLICY

1. INTRODUCTION

The Risk Management Policy is the first step towards defining the risk management governance framework. It is the umbrella policy which will govern the various sub-components of the Risk Governance Frameworks. This Policy has been framed in accordance with the Risk Management framework as issued by Reserve Bank of India ("RBI") vide Master Direction Non-Banking Financial Company–Non Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 RBI/DNBR/2016-17/44 Master Direction DNBR.PD.007/03.10.119/2016-17 ("RBI Circular") and amendments thereon.

The purpose of this policy is to address unanticipated and unintended losses to the human resources & financial assets of the Company without unnecessarily limiting the activities that advance its mission and goals. The Company 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.

2. PRINCIPLES OF RISK MANAGEMENT

An effective Integrated Risk Management Policy is based upon the following key 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 organizational 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.

3. THE GUIDELINES DEAL WITH FOLLOWING ASPECTS OF LIQUIDITY RISK MANAGEMENT FRAMEWORK

A. Liquidity Risk Management Policy, Strategies and Practices

In order to ensure a sound and robust liquidity risk management system, the Board of the Company shall frame a liquidity risk management framework which ensures that it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

B. Management Information System (MIS)

Company shall have a reliable MIS designed to provide timely and forward-looking information on the liquidity position of the Company to the Board, both under normal and stress situations

C. Internal Controls

Company shall have appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure.

D. Maturity Profiling

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. The Maturity Profile should be used for measuring the future cash flows of the Company in different time buckets. The Maturity Profile as given in Appendix I could be used for measuring the future cash flows of NBFCs in different time buckets. The time buckets shall be distributed as under:
(i) 1 day to 7 days
(ii) 8 days to 14 days
(iii) 15 days to 30/31 days (one month)
(iv) Over one month and upto 2 months
(v) Over two months and upto 3 months
(vi) Over 3 months and upto 6 months
(vii) Over 6 months and upto 1 year
(viii) Over 1 year and upto 3 years
(ix) Over 3 years and upto 5 years
(x) Over 5 years

E. Currency Risk

Exchange rate volatility imparts a new dimension to the risk profile of Companies balance sheets having foreign assets or liabilities. The Board of the Company should recognise the liquidity risk arising out of such exposures and develop suitable preparedness for managing the risk.

G. Managing Interest Rate Risk (IRR)

The operational flexibility given to Company in pricing most of the assets and liabilities implies the need for the financial system to hedge the Interest Rate Risk. Interest rate risk is the risk where changes in market interest rates might adversely affect the financial condition of the Company. The changes in interest rates shall affect the Company in a larger way. The immediate impact of changes in interest rates is on the Company's earnings (i.e. reported profits) by changing its Net Interest Income (NII).

4. RISK MANAGEMENT PROCESS

RISK PROCESSES

Risk shall be managed through a pro-active approach which shall be built into the risk management process and shall be ensured through periodic reviews and reviews contingent of information made available towards setting risk limits, monitoring etc.

An ideal Risk Process contains:

- Processes that are well defined and exhaustive (from customer on boarding to collection & recovery) for each of the products offered
- Processes that are properly documented and provided to team members across the process value chain
- Clearly defined roles & responsibilities for each process owner to avoid overlaps/conflict of interest
- Well defined processes to capture all deviations
- Processes for each product should be reviewed and modified to mitigate the potential areas of conflict
- The Risk Management Dept. should have greater control and accountability over parts of the credit process having risk implications viz. credit review, post disbursement monitoring & collections.

5. RISK CATEGORIZATION AND MITIGATION FACTORS:

The company has identified and classified the primary risks that it faces under the following:

- **Credit Risk**

The key risk for NBFC or any other institutions involved in lending business is Credit risk. The effective management of credit risk is a critical component of comprehensive risk management and is essential for the long-term success of any lending organisation.

Credit risk management should encompass identification, measurement, monitoring and control of the credit risk exposures. The objective of the same should be to minimize the risk and maximize company's risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters.

- **Financial Risk**

Every Company, especially financial institutions, which is in the process of lending and collecting moneys, needs to manage its financial risk in a prudent fashion. Financial risk could take the following forms:

i. Compliance with Accounting Standards – This is essential to ensure that the company's financials including the balance sheet and profit & loss account reflect the true and correct picture of the company's position and all the errors of Omission and Commission are avoided.
ii. Adequacy of Internal Financial Controls – Company needs to develop its own set of Internal Financial Controls, which will serve as the check and balance to ensure the orderly and efficient conduct of its business.
iii. Clearly documented and consistent accounting policies – It is essential to develop its set of accounting policies in line with applicable Accounting Standards and also maintain consistency in the adoption of such accounting policies over the course of financial years.

The Accounting Policy of Sayyam has been compiled to ensure that the relevant accounting principles are adhered to.

- **Operational Risk**

Another risk that is prevalent is the inadequacy of processes to maintain checks and balances in the conduct of its operations. Necessary controls are essential to ensure that there are no intentional or unintentional errors that creep into the process.

In this regard, the company has set up a dedicated operations department, who are responsible for maintaining the necessary controls over the various processes. The operations staff shall independently carry out or check the various processes like data entry, necessary checks before disbursals, scrutiny of documents at each stage as required, ensure safe custody of the property documents and the like. With such independent checks, it is envisaged that the errors would decrease significantly.

Moreover, detailed SOPs for all processes have been created and documented to ensure that risks emanating from these operations are managed.

- **Technology Risk**

In this digital era, as organizations use automated information technology (IT) systems to process their information, risk management plays a critical role in protecting an organization's information assets, from IT-related risks.

Some of the key risk areas are given below:

i. Infrastructure management poses considerable risk to business
ii. Cyber Security is a major threat to any organization which conducts business over internet
iii. Security Threats and Vulnerabilities
iv. Data management and protection risk
v. IT Architecture risk
vi. Technology vendor and third-party risk
vii. Ability to upskill or reskill existing individuals in fast changing technology landscape
viii. Regulatory and compliance risk

- **Compliance Risk**

Sayyam recognizes that the regulatory landscape is under periodical review and this requires the company to be proactively prepared, as best as possible, to meet with the challenges posed by the changes. Company has to respond effectively and competitively to regulatory changes, maintain appropriate relationship with the regulators / authorities strengthen the reliance on capital and improve the quality of in-house compliance.

Business processes shall be defined in a manner to ensure comprehensive regulatory compliance considering the multitude of regulatory agencies the company has to deal with. Competent and knowledgeable specialist officers shall be recruited to ensure compliance.

- **Human Resources Risk:**

The success of any institution lies in the strength of its people. It is essential for a company to attract and recruit the right set of people, manage their monetary and non-monetary expectations so that they are able to contribute towards the growth of the Company. Some of the tenets of the risk management framework to manage the HR risk are given below:

i. Ensure availability of a dedicated workforce of good vintage
ii. Ensure a pool of resources which can be tapped into should there be a need for additional resources
iii. Benchmarking salaries and incentives with industry standards so that the attrition levels are managed
iv. Ensure minimal attrition

- **Vendor Management Risk:**

Non-core functions may be outsourced to reputed and approved agencies which specialize in the concerned activity on the premise that these agencies have the capability to perform the tasks more efficiently with or without cost reduction. Due diligence on these agencies and materiality of outsourcing contracts will be assessed as per RBI Guidelines and the management of the same will be as prescribed by RBI at all times. Third Party Risks are key risks as the Sayyam engages with many different external parties for carrying out its activities either on a continuous basis (Outsourcing) or on a contractual basis (consulting assignments, etc). These third-party risks have to be managed appropriately at all times to ensure that company not only realizes the value and objective of the engagement itself but is protected at all times from any extant regulatory and legislative guidelines.

6. RESPONSIBILITY

Responsibility for risk management shall be shared across the organization. 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 risk.

- The Board shall be responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective risk management framework.

- The Risk Management Committee shall assist the Board in overseeing the Company's risk profile and shall be responsible for overseeing management's actions in the identification, management and reporting of material business risks.