

RISK MANAGEMENT POLICY AND PROCEDURE

Introduction

This is in compliance with clause 49 of Listing Agreement, which requires the Company to lay down procedures about the risk strategy and risk management.

This Policy represents the basic standards of Risk Assessment to be followed by the company. Changes in the Policy will become effective upon approval by the Board of Directors of the Company. All relevant employees must be thoroughly familiar or made familiar with it and make use of the material contained in this Policy.

This document lays down the framework of Risk Management at Kwalita Credit & Leasing Limited (hereinafter referred to as the 'Company') and defines the policy for the same. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

Objectives of the Policy

The objective of Risk Management at Kwalita Credit & Leasing Limited is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed.
2. To establish a framework for the company's risk management process and to ensure Company wide implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.

Risk Strategy

The Risk Strategy of a company defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels.

The Company believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

Risk Management Framework

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals. We believe that this would ensure mitigating steps proactively and help achieve stated objectives.

The entity's objectives can be viewed in the context of four categories: (i) Strategic, (2) Operations, (3) Reporting and (4) Compliance.

The Risk Management Framework outlines the series of activities and their enablers that we expect each company to deploy, to assess, mitigate and monitor risks. The risk management framework consists of the following elements:

- The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational is specified in the Governance Policy. These role definitions, inter alia are aimed at ensuring formulation of appropriate risk management policies and procedures,
- Appropriate structures have been put in place to effectively address the inherent risks in businesses with unique / relatively high risk profiles.
- Risk Management process that helps identify, prioritize and manage risks in the KCLL; and
- Risk Management structure i.e. the roles and responsibilities for implementing the risk management programme.

Risk Management Policy

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the corporate environment.

The Risk Management Policy of the company shall primarily focus on identifying, assessing and managing risk in the following areas:

- Company Assets and Property
- Employees
- Operational Risk
- Non-compliance of Statutory enactments
- Competition Risk
- Foreign Exchange Risk

Conclusion

The combination of policies processes as outlined above adequately addresses the various risks associated with your Company's businesses. The senior management of the Company periodically reviews the risk management's framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.