

## RISK MANAGEMENT POLICY

### Document review and approval

#### Revision history

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1.0	Mr. Sudeep Gupta	NA

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## **COMPANY PHILOSOPHY AND CORPORATE GOVERNANCE INTRODUCTION**

Fino Finance Pvt. Ltd. ('the Company' / 'FFPL') believes that a good corporate governance system is necessary condition to ensure its long term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board of Directors ('the Board').

“The Board appreciates the growing demand for accountability, honesty and transparency in fulfilling its fiduciary duties towards various stakeholders of the Company.”

“The Board believes that the observance of generally accepted governance standards provides a company with legitimacy, reduces its vulnerability to a financial crisis, and broadens and deepens its access to capital.”

“The Board believes that FFPL should adopt the governance principles of highest standard to enhance its reputation as a leading micro finance institution and to maintain the trust of investors.”

## **COMMITTEES OF THE BOARD AND EXECUTIVES**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific terms of reference / scope to manage various risks faced by the company. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board may be placed before the Board for approval in subsequent meeting.

The terms of reference, roles and responsibilities of the aforesaid Committees will be aligned based on the changes in the regulations and business requirements with the approval of Board.

## **AUDIT COMMITTEE**

The Company has in place the Audit Committee

### **Composition:**

The Company has in place an Audit Committee in accordance with the provisions of Clause 68 of the Master Direction No. DNBR. PD. 008/03.10.119/2016-17 on Guidelines on Corporate Governance issued by the RBI and the composition of the Audit Committee shall meet with the requirements of Section 177 of the Act and the Rules framed thereunder.

**Meetings and quorum:** The Audit Committee shall meet periodically, but at least two times in a year.

The quorum for the Audit Committee Meetings shall be either two Members or one third of the Members of the Audit Committee, whichever is greater.

The Audit Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committees.

**Terms of reference:** As per Annexure I.

## **RISK MANAGEMENT COMMITTEE**

The constitution and the terms of reference of the Risk Management Committee shall be in compliance with the Guidelines on Corporate Governance issued by Reserve Bank of India and such other applicable laws.

### **Meetings:**

- The quorum for the Meeting of Risk Management Committee shall be any two Directors.
- The Risk Management Committee shall meet atleast once in a year.

- The Risk Management Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committee.

**Terms of reference:** As per Annexure II.

## Annexure I

### Terms of reference of Audit Committee

#### ➤ Roles and Responsibilities:

##### A. Terms of Reference

1. The recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
2. Review and monitor the Auditor's independence and performance, and effectiveness of Audit process;
3. Examination of the Financial Statement and the Auditors' Report thereon;
4. Approval or any subsequent modification of transactions of the Company with related parties;
5. Security of inter-corporate Loans and Investments;
6. Valuation of undertakings or Assets of the Company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;
8. Monitoring the end use of funds raised through public offers and related matters.
9. To conduct an Information System Audit of the internal systems and processes at least once in two years to assess operational risk faced by the Company.
10. Carrying out such other function as may be delegated to the Committee from time to time.

11. Carrying out additional functions as contained in any of the provisions of Companies Act, 2013, as amended from time to time or other regulatory requirements applicable to the Company.

## **B. Related Party Transactions (“RPTs”)**

In accordance with the provisions of the Companies Act, 2013 and Rules made thereunder (“the Act”):

- Approval or any subsequent modification of transactions of the company with related parties which are in the ordinary course of business and on arm’s length basis;
  - a. To grant omnibus approval for RPTs proposed to be entered into by the Company, which shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one year. The omnibus approval shall be subject to following conditions:
    - b. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPT of the company and such approval shall be applicable in respect of transactions which are repetitive in nature;
    - c. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
    - d. Such omnibus approval shall specify:
      - Name of the related parties;
      - Nature and duration of the transaction;
      - Maximum amount of transaction that can be entered into;
      - The indicative base price or current contracted price and the formula for variation in the price, if any; and
      - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
    - e. To grant omnibus approval where the need for RPTs cannot be foreseen and aforesaid details are not available, subject to their value not exceeding Rs.1

crore per transaction. Such omnibus approvals shall be valid for a period not exceeding one financial year.

- f. To review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approvals given.

## **Annexure II**

### **Terms of reference of Risk Management Committee:**

1. The Risk Management Committee shall manage the integrated risk, inform the Board about the progress made in implementing a risk management system and review periodically the Risk Management Policy and strategy followed by the Company.
2. The Risk Management Committee shall perform such other duties, as are required to be performed by the Committee, as delegated by the Board and under the applicable laws, Guidelines.
3. To monitor and review the risk management plan.
4. To review operational risk (including sub risk for operational risk), Information Technology risk and integrity risk.
5. To take strategic actions to mitigate the risk associated with the nature of the business.
6. To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy.
7. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.
8. To lay down procedure to inform Board members about the risk assessment and minimization procedures.

### **Field Audit process**

The audit process is detailed out in the Internal Audit Manual.

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